BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: : Docket Number

CATAWABA-WATEREE : P-2232

RELICENSING PROJECT :

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Western Piedmont Comm. College

Moore Hall Auditorium

1001 Burkemont Avenue

Morganton, North Carolina

Monday, March 26, 2007

The above-entitled matter came on for scoping meeting, pursuant to notice, at 7:00 p.m.

MODERATOR: SEAN MURPHY

P R O C E E D I N G S

(7:00 p.m.)

MR. MURPHY: We are currently just finishing signing in a few more people and we will get started about five after. We're all set. Everybody signed in. Is the court reporter there? Great.

My name is Sean Murphy. I am with the Federal Energy Regulatory Commission. I am the manager for the Catawaba-Wateree Relicensing Project.

Tonight we are doing the first of four scoping meetings. These scoping meetings are designed so that the public can come and tell us the issues that they feel are pressing and need to be analyzed, forgotten by the process -- whatever it is that you feel is necessary.

We have 13 or so speakers for tonight. So we can give a slightly more liberal time period for people to talk.

We are going to start with Jeff Limberger from Duke, who is going -- I said your name wrong?

MR. LINEBERGER: (Off mike.)

(Laughter.)

MR. MURPHY: I'll get it right tomorrow.

(Laughter.)

MR. MURPHY: Who will give a short presentation about the project itself and the licensing -- the scoping settlement process has been going on for the last few years,

which I am sure many of you have been heavily involved in.

MR. LINEBERGER: Thank you, Sean. Can you all hear me? I am not sure -- does it work? Okay.

Thank you, Sean. My name is Jeff Lineberger. Don't worry, I have been called worse than "Jeff Limberger," for sure. And I am the manager of Hydro Licensing and have been involved with the Catawaba-Wateree Project for a long time.

I am glad to see the folks here tonight. I appreciate you coming. And one thing for the FERC staff, the numbers of people in this room are no indication of the importance of this relicensing project, because what has been accomplished so far and what hopefully will be accomplished with a new license is something that is going to affect this river basin for the next couple of generations, probably.

So, certainly the interest has been very heavy.

Duke is obviously very interested in the Catawaba-Wateree Project. That is where our company started. But it is also the backbone for our generation fleet, and it is the backbone for the community, really. Because we have, in addition to the hydro project, which is 840 megawatts of clean, renewable energy production. We have got another 8100 megawatts of steam plants that rely on the water that is in the hydro project for cooling.

Altogether, that is about 44 percent of the generating capacity for Duke Energy in the Carolinas, in one way or another. It depends on this relicensing project to be able to meet the customer needs in the future.

The hydro project produces enough energy in a year, depending on rainfall, to provide 108,000 typical homes with their energy supply for an entire year.

Another very important factor is the public drinking water supply -- 1.3 million people today depend on the Catawaba-Wateree for their drinking water. And that is expected to grow. It is going to more than double, we think, over the life of the new license, and so will the need -- the needs for energy production, from this system. Certainly a lot of competing uses and interests here.

Duke, from the start, wanted to get the community involved in this because there is just too much interest and too much importance to the river system not to get folks involved and hear what they are interested in.

We set up six stakeholder teams to do that. And 160 individuals that participated in those. Met each one of those. Met on average monthly. As we got later in the process, some of them were meeting a couple of times a month. Had lots of ad hoc committees surrounding that.

Altogether, over 300 stakeholder teams went into the development of the relicensing agreement and our license

application.

We don't know of another licensee that has done that, to that degree. It's for us to go ahead and start doing what we can do to keep the train rolling, basically.

There's a ton of benefits in the agreement, and I won't go through all of them. But for the first time, we will have lake level operating ranges for this system that really define how we are supposed to operate during times when there's normal inflow to the project.

We will have dependable recreation releases at the places where there's one of our dams in a downstream regulated river section. So, the folks that like to paddle or like to fish in the river will be able to do that on a dependable schedule.

We will have continuous flows below the dams that have really significant aquatic resource needs. So, for the first time, the fish will have water all the time, whereas the current license, other than leakage for the North Carolina projects, just requires daily average flow releases on these dams.

I can't even begin to touch on all the recreational enhancements, and I won't attempt to do that. There are dozens of them, and they are spread out all over the system.

And we have -- I believe our company has done a

good job over the current license, providing for boating access. But this is going to be a modern license, and modern licenses require boating access, as you are aware.

We spent a lot of time focusing on what is needed for land-based recreation. There will be some boating access improvements, but the majority of what we will do over the first 20 years is to make it better to access the project, particularly for folks that don't have access otherwise, either from owning waterfront property or perhaps being a member of a boating club.

Land conservation was an issue that permeated every single one of our stakeholder teams. Very high interest. And it also, because of the project boundaries and where those occurred, can also be one of those issues that oftentimes is outside of FERC's purview.

We figured out a way, though, to deal with that interest. And the relicensing agreement has a couple thousand acres of property that is going to get conveyed directly from our corporation to a public entity.

It's got a couple hundred more acres -- no, 700 more acres, I believe, that are going to be conveyed back to the utility company to expand access acres.

There are also opportunities for public entities to purchase 3400 total acres of additional property for public access. So, certainly we have gone a long ways

towards dealing with that issue, even though, to a large extent, it is outside the FERC purview.

There's also additional support in the relicensing agreement if FERC sees fit to give us a 50-year license. We believe we have done the kinds of things that require that. But if we get the 50-year license, there will be additional money provided for land conservation and we will also address how water issues on the most downstream reservoir lake water.

And I didn't nearly touch on even all the sections that are in the CRA, but we think it is a very good, sustainable balance for this river. And we think, because it was derived locally, it is what this river needs for the next generation.

We talked about all the partnerships, and the fact that lots of folks want to move ahead and implement. So do we. We have put $9.3 million in escrow accounts to help buy some of this conservation land. And I am happy to say that already, $3.8 million of that money has been used to conserve an important piece of property called the Johns River Game Land, which was part of this Upper Catawaba Foothills Advisory Group area, and part of their plan.

So, we are moving ahead.

The Low Inflow Protocol and Drought Management Advisory Group and the Water Management Group -- all of

those are new things that are going to deal with what the region needs to be dealing with as far as water quality management goes.

We have got to work together because we figured out from our studies that if the region continues to grow like we think it will, the ability of the lake system, with the inflows coming in to meet future needs, is going to be strapped sometime during the next license period, if we have a repeat of the drought record.

So, we have got to work together to conserve the water every day, but particularly when we run into a drought. We have got to have coordinated actions so that we stretch the bank account, essentially.

I mean, if you look at the water supply as the bank account for the region, you can't go bankrupt on that. You have got to take care of it, and we have figured out a way to work together to take care of it.

The FERC process is independent of our relicensing agreement. We understand that. But we certainly hope that the FERC staff will strongly consider the things that the local stakeholders have agreed to in that relicensing agreement because so much effort went into this.

And we do believe that, although we don't have a perfect agreement -- you will never have one of those,

particularly not with the system this complex. We've got the best one, I think, that could be crafted.

So, certainly I look forward to hearing other folks' comments, and I appreciate you all being here. And I'll turn it back to Sean.

MR. MURPHY: Thank you, Jeff. We can get started with the commenters. And the first person on the list is Maurice Blackburn. Did I say your name right?

MR. BLACKBURN: Exactly right.

MR. MURPHY: I'm batting five hundred!

MR. BLACKBURN: That's good enough. There is always a debate whether I should be called "Morris" or "Maurice."

(Laughter.)

MS. CONNER: (Partly off mike) -- if your name happens to be something different. Mine is Allyson, A-L-L-Y-S-O-N. Just be sure you spell it for the court reporter, so that there is an accurate record of your name, if it happens to be an odd spelling. Something that you just wouldn't catch onto.

MR. BLACKBURN: Well, I plan to give you a copy of what I am saying, and my name is on that, so that will take care of that.

I had anticipated that more people would want to speak tonight, and so I tailored my presentation to that

length. I am not intending to pad it out to fill in extra time. I am sure you would prefer it that way.

My name is Maurice -- or "Morris" -- Blackburn. I represent the Carolina Canoe Club. I have been a stakeholder in this process from the start. I have represented the club on the Piedmont Edge -- I'm sorry, on the Foothills Edgy, which is this area. The Piedmont Edge in South Carolina.

I have also represented the Piedmont Edge on the state team. I have also take part in quite a number of ad hoc committees and I am still active on the final agreement committee.

The organization I represent has approximately 700 paid members, and we cover almost 1100 individuals in that organization. Our objective includes promoting safe canoeing and kayaking, with a strong emphasis on education and protection of the environment.

Now, prior to the issuing of this license, there has been no scheduled recreation releases throughout the entire Catawaba Basin. You could paddle, but you would have to pick your time. It was a hit-and-miss process. You could paddle when Duke was generating power or you could paddle when they were releasing water and also generating power when we had excessive rain situations.

So, under those bases, it is difficult to get

people really organized so they can plan ahead and know when they want to go paddling and then be able to do it.

Now, as a result of our negotiations, we have negotiated a series of -- a comprehensive series of scheduled releases, and all of the five river sections of the Catawaba Basin.

In doing this, we have had to take into consideration other people's interests. From my point of view, if Duke released water every day, and it was paddleable every day, that would be great. But what we have achieved in our negotiations is a balance. That's what we aim for, and I believe that is what we were able to get.

Particularly in this region of Bridgewater, we took into account angling, which is very important in this area, too. There is no point in having so much water coming down the river that the anglers get flushed away down the river. We worked very closely with the anglers to make sure that we had a very balanced release schedule.

And I believe that we have achieved that.

These releases, of course, take water out of the lakes. In drought situations, that's bad. So, in our negotiations, we tied it in very severely to the low inflow protocol. We are among the first people to lose out when there is no water, when the water drops in the system. That's fine. I think all of us paddlers believe that's how

it should be. We are very happy to have water when it is available, but we understand that there are pressing needs to be taken care of, in addition to our interests.

Although it is not relevant to this part of the country, one of the things which we achieved, which we are extremely pleased about, the releases in the Great Falls area in South Carolina. There has been essentially no release -- there have been no releases there for the past 80 years. You could paddle it very occasionally when it was in flood, but that was the only time.

Now, we are going to have a whitewater paddleable area, halfway between Charlotte and Columbus.

It is something that everybody is really very excited about.

The agreement contains all of these releases and we certainly urge FERC to accept what we have proposed. We feel we have struck a good balance, and we encourage FERC to accept what we came up with.

Now, it is fine having water in the river, but if you can't get to it, it makes no difference. You still can't paddle it.

One of the things that we spent a lot of time negotiating was improvement to the access areas, both on the lakes and on the rivers. And I think we did quite a good job as far as that is concerned. There are quite a number

of canoe and kayak access areas that are proposed in the agreement, and we look forward to those opening in due course.

The final topic I would like to touch on is the public information system. There is a very rudimentary public -- the Duke people will forgive me if I call it the -- there is a very rudimentary public information system at the moment.

It will be greatly improved based on the changes that we made up at the Nantahala Tucker CG relicensing.

From a paddling perspective, not only will it tell us what the scheduling releases are, it will give us information on the generation schedule that Duke is proposing, that will give us additional time.

It will also give lake levels, it will give emergency information, it will give high water information, and this will be accessible through the phone and through the internet. And again, we urge FERC to look closely at the public information service and incorporate that in the final agreement.

Thank you.

PARTICIPANT: (Off mike.)

MS. CONNER: I will make it official. Next will be Bo Cash. Also, please -- there were a couple more speakers that were added on. So that seven minutes is kind

of the time limit. And if it starts going over -- anyway, do please be sure to say your name and spell it.

MR. CASH: Okay. That's Bo Cash. That's B-O. I don't speak French. I speak hillbilly.

(Laughter.)

MR. CASH: I am Bo Cash. I am a member of the Foothills Advisory Group for the relicensing processing.

I represented water-dependent businesses and citizens concerned with recreation enhancements of the Catawaba River. I was born, raised and continue to reside in the Morganton area. Having very little parental supervision when growing up, the Catawaba River and Morganton became my playground for entertainment, education and at some time helped to keep me out of serious trouble.

The river was within 150 yards from my house. The present-day Morganton Greenway was built on the same path where I walked the river bank to my island, where I fished, I kept permanent camping gear, and I considered myself to be a Tom Sawyer type.

I eventually dug several boats out of the river bottom, patched them, and had them tied up for my use. I camped on and caught many trout while spending hundreds of hours on that little island.

Admitting that my arm was somewhat twisted to join the relicensing effort, I did so because the Catawaba

River was involved. The twister is wearing a salmon shirt right here in front of me.

(Laughter.)

MR. CASH: I would further share that I was very concerned with issues limiting potential trout habitat and recreational use of the river between the Bridgewater Dam and the City of Morganton.

In my retirement, as a former biology teacher, I am now running my self-started 28-year old fly fishing store and guide service. Because of flow, access and turbidity issues, I have thus avoided the Catawaba as a potential source of income for guiding with a drift boat, preferring instead to do my float trips on two TVA rivers in east Tennessee.

I first began fishing in the Catawaba in 1955. All my life, I observed the dried up gravel bars when the turbines were off. Likewise, I saw the raging torrent when one or two turbines would operate, which made fishing opportunities impossible for a wade fisherman, and placed too much water over the heads of the fish for effective draft boat fishing.

I also saw the risk to life, including my own, when turbines would start without public notice. From a biologist's standpoint, I knew that if those gravel bars could be wedded down permanently, with a reasonable

continuous flow, the aquatic insects would have habitat.

In turn, these wedded gravel bars would become homes and spawning grounds for trout and other species that require that water.

Relicensing will give us a continuous flow. This process will also give us more recreational lands and more access to the river. Additionally, we now have a temporary public information system -- er, was that "rudimentary"?

(Laughter.)

MR. CASH: We have a temporary public information system to advise of the dangers of turbine releases. This system will be expanded after relicensing.

These are the reasons why I signed the agreement. Am I totally happy with the agreement? No. Am I unhappy? No.

Five items actually escaped my desires that I felt would be highly beneficial to the public. I am not going to rehash those items. I felt like, you know, as part of the process, they were compromised. And I signed the agreement, and I will be happy with the outcome.

The negotiations were a learning experience for me. I did not get paid for my attendance to the three years of meetings. Instead, it cost me in time and lost income.

However, I felt like I had a very small part in helping secure lands and recreational opportunities for the

deserving recreational public.

Previously, the 11 mile section of the Catawaba from Lake James Dan to the Morganton city limits, Burke County had only two limited accesses for the public to use. Now there will be more.

I am very proud to have been a part of this process. I now hope to live long enough to see all of the changes put into place and enjoy using them. I signed the relicensing agreement because I felt we were getting at least 50 percent of what we asked for.

Furthermore, I have always been selfish with Burke County. I was born and raised here. I didn't want to see it grow. But it is growing. And if it is going to grow, rather than see it grow on the efforts of polluting industries, I would rather see it grow as a recreational diamond retirement destination, which I believe it is doing. And I believe that the relicensing process is a positive factor to aid in this endeavor.

So, I appreciate all the work that has gone on from everybody. And I appreciate the time that you guys spent coming over here.

MS. CONNER: Okay. Next is Marc Collins, and then after Marc is Richard Moat. And if you do have written comments, you can hand them to us.

MR. COLLINS: Marc Collins with a "C" instead of

a "K."

On behalf of the county commissioners and the county manager, we welcome FERC to Burke County, North Carolina. As a signatory to the Comprehensive Relicensing Agreement, Burke County supports the CRA as a preferred alternative for issuance of a new hydro power license to Duke Power, LLC.

The extended stakeholder process has resulted in a balanced agreement that addresses most issues raised.

Burke County is in a transition period from a traditional manufacturing economy to a diversified economy that features quality of life issues, and a reliance on the protection of our natural resources and sustainable uses of those same resources.

As you conducted your site visits today, you glimpsed a small yet vital portion of this transition. The protection of key lands, support of recreation efforts, recreation flow releases, and additional water quality efforts are all vital components of this economic shift provided for in the CRA submitted by Duke Power. Provisions for public accessible trails are a key reason Burke County supports the Duke Power license application.

The agreement proposed articles provide for funding of up to six miles of the Congressionally designated over Mountain Victory National Historic Trail, and included

language for mitigation, conservation, easements, that include possibilities for public access, and added for additional trail miles.

Funding and access was addressed for trails across the dam structures to assist in the construction of the Lake James Trail, another significant trail effort.

This reflects recognition of the value of trails for public access to the citizens of our communities. Further, it represents an ongoing, multijurisdictional effort partnering with private, public, nonprofit, local, state and federal agencies to reestablish a vital component of our nation's history and to assist in the redevelopment of a sustainable economy.

Thank you for your time and efforts.

MS. CONNER: After Richard is Susie Jones.

MR. MOAT: Sean, thank you for coming to Burke County, along with the rest of the FERC folks. We appreciate you coming to the country. We are going to ask you to accept this agreement and not tell anybody in D.C. what a wonderful place D.C. is.

(Laughter.)

MR. MOAT: My name is Richard Moat. I represent the North Carolina Wildlife Federation as NCWF affiliate rep to the National Wildlife Federation.

Since 1945, NCWF has advocated for wildlife on

behalf of anglers, hunters and wildlife enthusiasts. NCWF now counts that number of wildlife advocates as over 70,000 members, supporters, and affiliate club members.

NCWF provided a five-person team to work at the local and state level of this plus-three-year Catawaba-Wateree relicensing effort. This team consists of one staff person and four volunteers. These volunteers gave up fishing time, took time off from work and gladly did so to help with this project. This is a home-grown project that everybody in the region had a hand in.

Out of those efforts and negotiations, stakeholders, agency personnel and Duke Energy Carolina has developed new public access areas for fishing, hunting and wildlife observation, including several thousand acres of game lands, increased the number of boat, ranch, non-motorized boat access areas. In fact, more than doubled the amount of high quality trout habitat in the basin, and will improve the impoundments for water fowl, will protect hundreds of acres of island habitat, created a habitat enhancement program with long term dedicated money for habitat projects, increased aquatic flows for habitat and recreation, and created conservation easements that will serve wildlife, water quality sports and river levers forever.

As to the process used in this negotiation, in 30

years of working as a wildlife advocate in many resource planning efforts, I have never witnessed or been part of any planning effort as inclusive and transparent as this one. Nor have I had the opportunity to work with a higher quality group of advocates, resource scientists and facilitators.

The list of stakeholders was thoroughly developed and citizens, NGOs, and agencies were given every opportunity for input.

These entities carefully developed and presented their interests. Participants actually heard all interests, even ones that were diametrically opposite from their interests, and worked to meet them.

I believe, and NCWF believes, we met most interests in a fair and balanced, comprehensive relicensing agreement. We urge FERC to accept this agreement as a product of local citizens' efforts to protect and enhance the physical, wildlife, water and economic interests of the Catawaba Valley.

As an endorser and signing party to the CRA, NCWF is asking the Federal Energy Regulatory Commission to incorporate the CRA's license recommendations specifically, Appendix A of the CRA, in their entirety, into the new Catawaba-Wateree Project operating license.

Thank you for my having an opportunity to speak the issue. Okay, so don't you find yourself a better man

for having taken part in this process?

(Laughter.)

MR. MOAT: And, like I told you, it's only a few meetings to come to!

(Laughter.)

MS. CONNER: After Susie is Ben Van Camp.

MS. JONES: That's Susie, S-U-S-I-E. Thank you for coming to Morganton. I am happy to be here today, after many years of working to help bring us to the point where we did have an agreement that Foothills Conservancy, whom I represent, has also signed.

And we too, along with the speakers before us, ask that you adopt this final agreement in its entirety as you move forward with this license for Duke.

I will have to say I chuckled when I looked at the timeline in the book that Duke has put together here. It ways that it started in 2002 and before. And I will say that the first outreach to me directly about this occurred in 1998.

I remember the day. And it seemed to be something that was far on the horizon. And yet many years have gone by and a lot of work has gone into making this happen. And I do believe that in general, for the most part, the final agreement represents the best that we could do for the river. And that's really why we are here.

I will say that, in representing Foothills Conservancy, one other important group that will probably be mentioned, and there will be another person speaking for this group at another meeting probably, is the Catawaba-Wateree Relicensing Coalition.

Myself and several other people in this room played a major role in putting that group together to help to provide a forum and a platform for educating stakeholders and working with Duke to achieve this license agreement.

And I want to thank the people who were involved in that for making that happen, in particular, Judy Francis, who is here, who served as the president of that group for a good time.

Foothills Conservancy is a land trust serving eight counties. Of those counties, the majority are the Upper Catawaba River Basin counties. We have all of what I would call the upper Catawaba River Basin except for a very small portion of the river, that starts in Avery County, where the Linville River starts at the foot of Grandfather Mountain.

And our charge as a conservancy is to protect the land and water resources of our region, which also has the basins of the Yadkin River, the head waters of the Yadkin, and the head waters of the Broad River in our areas.

So, we took this very seriously. And we looked

at it, not only from a land conservation perspective, but also water quality, water quantity and habitat. Public recreation being the icing on the cake for all of that.

So, as we looked at what we wanted to see achieved in this license, we were obviously the group that focused more than anyone other than some of the state agencies on the opportunities for land conservation in the riparian zones, and land conservation on lands that were watershed lands that feed the river system.

So, we welcome and were thrilled when we were able to negotiate with Duke and others to achieve the conservation of the Upper Catawaba River Basin alone of -- I am thinking it is going to end up being over 4,000 acres of land.

Just in February, we closed along with our partner -- our state agency partner, the North Carolina Wildlife Resources Commission, on almost 2800 acres of land that has now been conveyed to the State of North Carolina.

This forms another portion of what is being called the Johns River Game Lands, the confluence lands that we purchased on behalf of the state, using assistance from not only the fund that Jeff mentioned, where Duke, as part of the license of this final agreement, put funds into a trust with the State of North Carolina, but something that was not mentioned is that there in the final agreement,

these lands were reduced by $950 an acre, so there was a reduction in value on top of the funds that we were able to tap to secure these lands.

We also of note brought significant state funding as a match to the table for these lands. So, the North Carolina Clean Water Management Trust Fund is truly a partner in this license in that it had the ability to provide matched funds that allowed our conservancy and the North Carolina Wildlife Resources Commission to find a way to purchase far more property than we would have been able to otherwise because the Clean Water Trust Fund's goal is the protection of the 300-foot and flood plain zones of all of our states' waters.

These lands are also at the confluence of the Catawaba, the Johns being one of the -- I think it's the only major tributary on the Catawaba on the upper basis that is un-dammed. It flows the way the river used to flow, before we had a lake at James and a lake at Rhodhiss and Hickory.

And so it ranked very high on our list, on the U.S. Fish and Wildlife Service's list, on the North Carolina Wildlife Federation's list, on the North Carolina Wildlife Resources Commission's list and the North Carolina DENR's list for conservation.

These lands are an oasis for wildlife. They will

be an incredible attraction and draw for recreational fishermen and just people who want to float on a river that takes you back in time.

And you have a stopover for migratory waterfowl that is very important, and other aquatic species. And also terrestrial species that depend on this unique confluence area.

In addition, there are lands upstream below Lake James that, as part of the license agreement, will be conveyed in their entirety. I am not sure exactly of the timing on that, but I think it is in the near future, or 2009, if all goes well, that will, as one of the earlier speakers mentioned, provide a path for the over mountain Historic Victory Trail, as do the Johns confluence tracts, by the way.

So there are multiple values in all of these lands that come from our achieving these.

Habitat protections, species protection, aquatic and terrestrials are very important. We believe the license has gone a long way toward achieving those. And we are particularly pleased and look forward to having the conservation easements on the remainder of the lands, upstream on the Johns River and seeing those lands protected for the future.

Thank you very much.

MS. CONNER: Following Ben is Chris Goudreau.

MR. VAN CAMP: My name is Ben Van Camp. I am the Outreach Director for American Whitewater, and live up the mountain here in Asheville, North Carolina. American Whitewater is a national organization that represents whitewater paddlers, canoers, rafters, kayakers, on matters such as this, on river management, on how rivers are treated.

Kevin Coldburn is our National Stewardship Director. He was part of this process from the very beginning. He won the coin toss, and is on a seven-day paddling trip in New Mexico, and I am here.

(Laughter.)

MR. VAN CAMP: So, I am glad to be here. We also had worked with a great volunteer, Andrew Lasenby, and also with Maurice, from the Carolina Canoe Club, on this relicensing. With those groups, we covered paddling-related conservation and access issues for the entire basin.

AW signed the settlement agreement, and fully supports it today. The agreement presents an integrated approach to river management, which is a model for other watersheds throughout the country.

We would like to specifically call your attention to focal whitewater reaches. The first is the Bridgewater Reach, which under the agreement provides predictable flows

for a great beginner class II stretch of whitewater. It is also a good intermediate run. These improvements to river access areas and land conservation will make this a great resource for generations to come.

The second is the Great Falls, which we will talk about in subsequent meetings, but the Great Falls is what AW considers to be a poster child for river restoration.

Through hard work and creativity, we agreed to a set of mitigation measures that will restore base flows, introduce higher flows for paddling, protect the incredible islands among the falls, and build new river access areas and connect the river back to the town of Great Falls.

We recognize that the agreement represents years of hard work, and the time and effort of hundreds of people. We ask that the agreement be considered by FERC and adopted. We will be filing written comments.

And that's it. Quick and simple.

MS. CONNER: After Chris is Steve Reed.

MR. GOUDREAU: My name is Chris Goudreau, and I will spell that. G-O-U-D-R-E-A-U. I work with the North Carolina Wildlife Resources Commission. I am a fisheries biologist by training and act as their hydropower relicensing coordinator.

I have been involved in this extensively from the beginning, probably on just about every committee and

negotiation team except for cultural resources.

I would like to make four points about the CRA process and the outcomes.

First is that it meets our agency's interests in fish and wildlife resources and habitats. On the reservoirs, we expect habitat to be improved due to new lake level regimes, a spring spawning stabilization program, the shoreline management program, which has been upgraded tremendously, and a habitat enhancement program that was mentioned earlier.

On the rivers we expect habitat to be improved, particularly below the Bridgewater and Oxford developments due to better flow regimes and water quality enhancements.

From our perspective, these flow enhancements were a difficult balance because we do have interests on both the lakes and the rivers, and we didn't want to see either of them damaged, and we are trying to make them all better. It certainly was difficult. But I think we have done that.

Our interests in muscle resources in some of the rivers, trout in other parts and warm water fish in general have been not only maintained but improved.

And, finally, on the terrestrial habitats, the relicensing agreement has contributed to conserving nearly 3,000 acres, as Susie mentioned earlier, in this upper part

of the watershed, plus an additional 2,000 acres that will be set aside for parks and other recreation that will act as open space and can be used by various wildlife species.

Our secondary interest is in recreation, to be able to use those resources that I just mentioned. The relicensing agreement provides for many access areas, as Jeff mentioned. Really too many to number here.

Not only access areas but facility improvements within and outside of the current FERC project boundary.

Again, as was mentioned by Maurice and others, recreation flows that are scheduled will be very good improvement under existing conditions. They will also be at levels that are much more suitable for anglers and float hunters and so on, that might use these resources.

And one thing that hasn't been mentioned yet, the new lake level regimes will expand the time of year that these reservoirs can be used, particularly on Lake James in this area. The lake will come up and be filled earlier in the spring and held high longer into the fall.

The other two things that I want to mention are really to deal with the process and implementation of the relicensing agreement.

As I mentioned, I was involved with nearly all the study and negotiation teams. But I want to bring a few of them to your attention.

The Shoreline Management Plan team, the Recreation team, and the Cheops Operations teams, all exhibited characteristics that I think are quite astounding, considering the number of people that were involved.

Nearly every interest that was part of the overall 160 stakeholders was involved and their interests were considered in each of those focus groups. Many, many alternatives were explored over many iterations of the operations models, the water quality models, and in these recreation teams, for example.

And we certainly worked hard to arrive at a balance, which I think we have done.

Beyond that, this relicensing agreement is important in that it doesn't just stop with the end -- with the issuance of a license. The relicensing agreement provides for a number of opportunities for stakeholders to remain active in the management of this important resource.

For example, the Shoreline Management Plan, the Threatened/Endangered Species Plans, Low Inflow Protocol, the Recreation Flow Planning Team that was mentioned earlier, the Recreation Planning Committee in general, and the Drought Committee, all will live on, to help keep people involved in managing this very important resource.

In conclusion, we believe that the CRA is not only a viable alternative to be studied by facility in the

NEPA analysis, but we believe it is the best adapted alternative for this complex river basin.

Thank you.

MS. CONNER: Suzanne Johnson will follow Steve Reed.

MR. REED: My name is Steve Reed. The last name is spelled R-E-E-D.

I am the hydropower licensing coordinator for the North Carolina Division of Water Resources, of the North Carolina Department of Environment and Natural Resources. The acronym is "NCDENR", spelled capital N-C-D-E-N-R.

Our department is the lead stewardship agency for the preservation and protection of North Carolina's outstanding natural resources. We administer regulatory programs to protect air and water quality, public health and protection of drinking water.

Our natural resource divisions protect fish and wildlife, manage state parks and state forests.

The department works to enhance and ensure the quality of life for all citizens. The mission of our division of water resources, or DWR, is to assure the conservation and productive use of the water resources of North Carolina by water supply planning, hydrologic analysis, technical assistance, administration of laws that relate to water allocation.

We provide financial assistance to local governments, promotion of cooperative activities between local, federal and state agencies.

Our division has been designated as the lead agency in all the relicensing across the state by the Secretary of NCDENR. And we also serve as the state liaison with federal agencies on major water resource-related projects.

The primary responsibility of DWR is to assure an adequate water supply for North Carolina's future. We do that through assisting local governments with water supply planning, water conservation planning. We make special regional and river basin hydrologic studies of ground and surface waters. And we prepare the state water supply plan.

The division also administers several statutes which assure that water resource development projects provide adequate in-stream flow in our rivers and streams to meet the needs of aquatic habitat, water quality recreation and other in-stream uses.

The division also has a grant program which provides financial assistance to local governments for navigation, water management, stream restoration, beach protection, water-based recreation and aquatic weed management activities.

The division's interests in relicensing primarily

include in-stream flows, water supply, reservoir water levels, the enhancement of open space, public access to rivers and streams and reservoirs, and aquatic plant management.

The department is one of the signatory parties to the Comprehensive Relicensing Agreement. We believe that it provides significant enhancements related to the interests of our division, to NCDENR and the State of North Carolina.

We do appreciate all of the collaborative opportunities that Duke Power incorporated into their traditional relicensing process for the Catawaba-Wateree.

Our division has been actively involved in the relicensing process since it began. We had had staff from all four of the sections within the Division of Water Resources participating.

There has also been staff members from other DENR divisions, such as the Division of Water Quality, Parks and Recreation, and Forest Resources have also been involved.

NCDENR has had multiple participants on the North Carolina State Relicensing team, all of the different technical work groups, the ad hoc committees. We have worked with over 160 diverse stakeholders to develop a comprehensive agreement that addresses relicensing interests.

The agreement, we feel, is fair and equitable and

represents a balance between North Carolina and South Carolina and across the basin.

We have worked extremely closely with our counterpart agencies in South Carolina, particularly with the South Carolina Department of Natural Resources on the Aquatics Group, working on in-stream flows. Also with South Carolina DNR on the Cheops Model team.

Our Division of Water Quality and other divisions have worked closely with the South Carolina Department of Environmental Health and Environmental Control on the Water Quality Group.

This close interstate coordination has resulted in a delicately balanced plan of in-stream flows, reservoir levels and project operations across the basin.

All of these components of the agreement are connected, and any modification will potentially upset this delicate balance and impact stakeholders somewhere else in the basin.

We urge FERC to use the Comprehensive Relicensing Agreement as a preferred alternative in their NEPA analysis, and to incorporate the proposed license articles into the new license without significant modification.

Thank you.

MS. CONNER: George Johnson is after Suzanne.

MS. JOHNSON: My name is Suzanne Johnson, S-U-Z-

A-N-N-E Johnson, and I represent the Lake James property owners -- about a thousand and growing rapidly.

I want to thank Duke Energy and the stakeholder teams for all the hard work, all the many hours that they put into this endeavor. I know it was a tremendous process. We had regular reports, and we were very impressed with the way this was handled.

As Mr. Lanberger pointed out, many positive things have occurred and will occur if the final agreement is approved.

We signed the AIP and the final agreement. However, with major reservations regarding several issues that unfortunately didn't come to light until the very end of the process.

One was the low inflow protocol, that would lower Lake James, even more drastically during droughts than was experienced in our record drought of 2002.

We are concerned that Lake James will become the sacrificial lamb in order to keep high water in the other Catawaba River Basin reservoirs during droughts.

Another concern was the lack of a cap on inter-basin transfers, thus putting the Catawaba Basin at risk of greater drought effects. I think we are making progress in that area.

However, some of the things that can occur as the

result of both the LIP and the lack of caps on IBTs is well failures around the lakes, wells being what we get our water from to drink.

Personal property damage, as well as damage to the area's economy, and ecology. Another concern was the lack of restrictions on dock fees.

We hope that these issues will be studied further by FERC. I think that they have been brought to your attention, as I said, when these were -- the AIP was signed, there were questions about these issues.

I don't know whether you have had time to review any of that -- those concerns -- but we certainly hope that you will, because they are very, very important to us.

My husband George will go into a little bit more detail about our concerns about the LIP and the water supply study.

Thank you very much.

MS. CONNER: Tony Gallegos is after Mr. Johnson.

MR. JOHNSON: Good evening. My name is George Johnson. My lovely wife and I retired to this area a few years ago because we were attracted to the natural beauty of it, and the resources here, and the wonderful people that live in the area. And I want to say that we have not been at all disappointed.

You might imagine that we have been very

interested in this process that has been going on, and we have tried to follow it very closely to the extent that we could do that basically as private citizens.

I would like to say that I agree with Jeff Lanberger that an awful lot has been accomplished in terms of establishing some very good things. Important trade-offs have been made in these discussions among the representatives.

And I think that that is a really good way to go at this very complex process.

This scoping meeting did ask for any input from us if we still had remaining concerns. So, I would like to cite a couple of those things that I would encourage you to take a serious look at.

They fall in the category of the validity of the water supply study in the Cheops Model that underpins the analyses that were done for the final agreement.

In addition, there are some concerns about two features of the low inflow protocol. The use reduction targets and the below-normal limits for water levels at Lake James during periods of drought.

I have put some data and information in this paper to guide you toward the things that I think perhaps should be looked at more closely.

And, as you prepare your environmental impact

statement, I urge you to look closely at these issues because they have potential environmental and socioeconomic impacts.

Starting with the water supply study, weather assumptions. The study estimates the water supply capacity of the Catawaba-Wateree system for the next 50 to 70 years using certain assumptions about weather. This is an awfully long time to project uncertain outcomes, especially when the variability of weather patterns seems to be increasing, perhaps due to global warming.

I took some data from the USGS site and made a basic plot of monthly average stream flow for the Linville River for 83 years, from July 1922 through September 2005.

And it suggested to me that variability in precipitation has indeed increased statistically until about mid-1972, which is roughly 600 months from the beginning of the series, the standard deviation of monthly flows is about 89 cubic feet per second.

For the more recent period, starting in June of '72 through September '05, which is about 400 months, the standard deviation is about 118 cubic feet per second. This is an increase of more than 30 percent.

If this is a relatively persistent increase, then assuming that future weather patterns will repeat those of the past is not a sound way to project future behavior of

the system.

The water supply study and its modeling tool, Cheops, appear to use a history that includes variability from both of these periods to infer future safe yields as well as the expected frequencies of various drought stages and their durations.

If the assumed patterns do not match future reality, the predicted results will not be accurate.

A Cheops analysis by stakeholder relicensing team indicated that just a 5 percent consistent reduction in normal rainfall would dry up the basin.

Safe yield calculations in the water supply study. Under the mutual gain scenario, with conscientious implementation of the LIP, Lake James recreational access is predicted to fail in a serious drought as early as 2008. And I have cited the table where this appears in the water study.

If instead the critical intake elevation is used to determine failure, safe yield extends to the year 2048 or 2058, depending on which low inflow period is simulated.

Left unsaid, however, is that Lake James critical intake elevation is at 1161 feet of elevation or 39 feet below full pond.

Thus, as Catawaba water use grows, some time during the next 40 to 50 years, a serious drought would shut

down the lake, leaving only run of the river flow for those downstream, severely impacting the local economy and badly damaging the lake's aquatic habitat.

These circumstances are not acceptable to those who depend on Lake James. It would destroy our way of life and undermine drought survivability downstream.

I have one recommendation on this. One way to reduce this problem would be to extend the mutual gains scenario by lowering the critical intake elevations of other impoundments. This would increase the amount of stored water available in the system as a whole during drought.

In the water supply study, population and IBT projections. The water supply study also makes assumptions about increased water use based on population growth projections and anticipated inter-basin transfers.

Population growth estimates in the rapidly growing Carolinas have been notoriously inaccurate within periods as short as five years. Even some current population developments are not visible enough to be counted in such analyses.

For example, new development at the head waters of the Catawaba and other rivers and streams may cause less water to reach Lake James than in the past, even if the weather assumption proves to be correct.

According to the county manager, McDowell County

currently has 32 new developments and 3100 new lots on the books, and is planning a county water system that will draw water from Lake James.

Water needs in this area will continue to grow as more retirees move in. What degree of error is involved in population projections 50 or more years into the future? I don't know.

Power generated in the Catawaba Basin also supports populations outside the basin. The study attempts to assess how much additional power generating capacity will be needed over the next 50 years, and some new or upgraded plants are factored in the planning.

What if the populations both in and out of the basin that need the future power are drastically underestimated?

The study also factored in anticipated IBTs from the Catawaba water that disappears permanently from the basin. How much error is contained in the IBT assumptions used in the water supply study? This is not clear.

The implications of the water supply study concerns. Collectively, the above issues undermine, to an unknown and discomforting degree, the accuracy of the analyses supporting the final agreement.

These issues also have implications for the environment and for socioeconomic factors. To the extent

that population growth and IBTs are underestimated, more water will need to pass regularly through and/or out of the system to support in- and out-of-basin water supply needs and within-basin power generation.

At a minimum, the additional power generation capacity would have a direct impact on consumption of natural resources and the creation of unfavorable byproducts, such as carbon dioxide, spent nuclear fuels, and thermal pollution in the Catawaba River waters.

I would like now to turn to the LIP and talk about weather variability.

To the extent that increased variability in weather becomes a permanent reality, the dynamics of the system will increase and will risk particularly bad effects on the drought side.

This is for two reasons. First, droughts are likely to be incurred more frequently and for longer periods of time.

And second, the two-edged nature of the proposed low inflow protocol will become apparent, at least at Lake James.

The normal target levels for Lake James in the LIP work to stabilize the lake at more constructive levels than in the past. This is good for both the marine habitat and the emerging nature of the economy in the region.

Over the past two decades, the former economic mainstays of McDowell and Burke Counties, the textile and furniture industries, have essentially disappeared. These are being replaced by some new industries and a lot of development centered on the area's resources that support tourism, recreation and retirement communities.

Lake James may be the most important of these resources, and it is vital to keep it as stable as possible and above the lake's critical access level of 1192 feet of elevation, where full-pond is 1200 feet.

This area experienced its worst drought in the past 80 years in the 2001-2002 season. During the stage 3 drought, the lake level dropped to 1191.3 feet.

Sizable areas of marine habitat dried out around the edge of the lake. The lake was virtually closed to public recreation. Commercial and private property, including at least one community well, which dried up, were damaged.

What concerns people is the below normal minimum specified in the LIP for Lake James. That would allow the lake to be drawn down even farther, to 1190, in a stage 1 drought than it was in the 2002 stage 3 drought.

And in a future stage 3 drought, the level could drop almost 10 feet farther than occurred in 2002. That is, all the way down to 1182.

This would sever the lake from its fundamental economic and recreation role in the region, and would cause significantly more damage to the marine habitat than was experienced in 2002.

So, I have lake level recommendations.

Because of its geographic position in the uppermost impoundment in the Catawaba River system, Lake James should be viewed as the most strategically located reservoir. It can provide water to any impoundment or river end section downstream of it.

Except in the direst circumstances, the lake should be kept as full as possible, as long as possible, and certainly above an elevation of 1192, which is its recreational access.

This would minimize the impact of drought on the habitat and the area's economy while holding a strategic reserve for the rest of the basin as long as possible.

To further support this concept, large impoundments farther downstream should have their critical constraint inlets lowered so there is more water available to use during drought before calling on the strategic reserve.

The LIP and water conservation. The LIP also contains goals and targets for use reduction. We believe these targets are misplaced and are too little, too late.

First, they are use reduction targets, not supply reduction targets. But in drought, the natural supply of water is what is reduced by mother nature.

Therefore, the targets should probably be supply reduction targets implemented at the water company level by turning down the big spigots.

Second, by comparison with the measures of reduced supply used to determine drought stage trigger points, the use reduction targets are really quite low.

And if you turn to this table on the back page, if you compare the numbers across the top, which are how the stored water reduces by drought stage, and how the water flows decrease by drought stage, and then compare them with the targets down below, you see there is a terrible lag in the usage targets versus what is actually happening with the real water.

If people do not cut back on their own, mother nature will eventually do it for them, and it will be a very rude awakening.

It is better to have larger reductions earlier, so people learn to live with less until a drought has passed.

Water use recommendation. FERC should assure that the use reduction targets are consistent with each other. That is, North Carolina versus the LIP, which is a

federal level document; and South Carolina versus the LIP, which is a federal level document.

I don't believe they are consistent now. And with the actual water supply conditions. See the suggested stretch goals at the bottom of Table 2. And I have just put in an educated guess as to what I think might be more realistic reduction goals.

Shifting to a supply focus might also vastly simplify the implementation and effectiveness, since there are many fewer water suppliers than users. So, going away from user reduction to supply reduction might be a fruitful thing to accomplish.

I do recognize that less water is used for hydrogeneration as the drought stages advance, which theoretically preserves more water for drinking, firefighting, cleaning, etc. Nevertheless, in my opinion, the use reduction targets are not aggressive enough, soon enough.

I thank you very much for the opportunity to speak to these concerns.

MS. CONNER: After Tony is Jeff Morris.

MR. GALLEGOS: My name is Tony Gallegos. That's G-A-L-L-E-G-O-S. I am the Water Quality Administrator with the Western Piedmont Council of Governments, which represents the interests of local governments in Catawaba,

Burke, Caldwell and Alexander Counties.

We are a signatory to this agreement and some people, for good or -- it's kind of to my advantage that I actually only attended a few meetings with the FERC relicensing process. However, my predecessor spent countless hours in almost every group over a period of many, many years.

There was also some other staff from the COG that were well represented over the period of time that this was engaged. I only moved into the state -- actually, this -- probably about four years ago, when this process has already been initiated.

But I was no stranger to dealing with water resource issues. I came from California, and I was working on the Cal-Fed Watershed Agreement. California has no loss for water quality issues.

And I was really impressed with the stakeholder involvement and everything that they were doing with the State and the Federal Government trying to address water quality issues on a state-wide level.

However, when I came out here and have been involved with what Duke has been doing in the relicensing project along the Catawaba, I have been quite, quite impressed with what has been going on. Actually, the word -- it's a Comprehensive Relicensing Agreement, and I have to

totally, wholeheartedly agree with that.

Almost every aspect that you can think about has been addressed by people much smarter than myself.

And we basically represent the Western Piedmont Council of Governments and the interests of other local governments that have been signatories to the agreement. We really think that a lot of our needs have been addressed. And thoroughly developed, and we would encourage you to go ahead and accept the Comprehensive Relicensing Agreement as a preferred alternative in this process.

MS. CONNER: Following Jeff is Matt Jordan. Is that right? I am trying to remember the names.

PARTICIPANT: (Off mike.)

(Laughter.)

MR. MORRIS: My name is Jeff Morris. I am the Town Manager in Valdes, and a signatory -- a party to the agreement.

The first thing I would like to say is, if I am speaking in a government -- local government perspective, I had the fortunate opportunity to serve on the State Environmental Management Commission back in '94 through '99. And was involved in several area base and planning initiatives.

And I must point out -- I must say that if the rest of the states had followed the procedures that FERC

relicensing of the Catawaba River would do, of a state would follow that model, it would have an outstanding program.

Probably the best interest group participation that I have ever witnessed, and in -- I appreciate all the involvement from Duke all the way to all of the stakeholders. It really opened up the process, and I have never seen anything like it in the rest of the state.

I understand -- I think Duke won a national award for that process.

My concerns concerning the relicensing agreement are more so involved with the amount of study that was given to IBTs -- inter-basin transfers.

It was not part of the licensing process, however, as a result of some external activities involving IBT, the Catawaba River became a focal point for this, and I think that the IBT issue should now be something that, even though the relicensing agreement has gone this far, should be looked at from the FERC level as well, to see how well the Catawaba River is being protected from inter-basin transfers.

I know the Cheops models and other instruments that were used during the relicensing process were designed for hydroelectric process -- and I am not sure -- I know the information is accurate and they did a good job at modeling, but I am not sure it was the best model to use -- that we

had to use as part of the IBT process, which I understand is separate from the FERC relicensing.

However, the relationships are together. And I think that is something that I would hope that maybe from the FERC angle you all could take a stronger look at, because not only will it affect the Catawaba River, but it could affect other river systems that FERC has licensing authority over.

The other point that I want to make out -- make to is the effort that was accepted by Duke and the local governments in creating the Water Management Group.

This is a unique form that was created as part of the relicensing process due to a tremendous amount of cooperation and mutual respect for both the local governments and Duke Power.

Initially, there was some talk about Duke setting up a withdrawal fee, and of course, that wasn't very popular among local governments. However, in cooperation in ways of looking at alternatives, we came up with the Water Management Group, where we all are voluntarily as local governments issuing fees to ourselves to study the quality of the lakes and the rivers as part of the chain, and we will come up with recommendations to further protect the water quality of the Catawaba River.

This was a voluntary group and I think it is a

great program. And I appreciate all the support we got from all the stakeholders on that process.

The only concern left that I have is concerning Lake Rhodhiss, which is the second impoundment along the river, and that is with sedimentation.

I don't think the issue with sedimentation was evaluated strong enough or involved enough. Of course, Duke Power's main concerns -- and we understand that and respect it -- hydropower creation.

And sedimentation is not a major issue in the area of hydropower development. It does affect water quality and they have addressed those issues, and they have looked at it.

But I think sedimentation is a major issue for us on Lake Rhodhiss and areas adjacent to Lake Rhodhiss. We just announced some recent residential development along the Catawaba River and Lake Rhodhiss, and sedimentation is going to be a major issue for us.

And I am not sure how the FERC relicensing process could be opened up to more discussions. If it needs to be, I would ask that FERC just take a look at it. But it is nothing that we would feel would jeopardize the overall work that has been done nor the support for the FERC relicensing.

Thank you.

MS. CONNER: (Off mike.)

MR. JORDAN: My name is Matt Jordan. I am with the City of Gastonia. And the City of Gastonia was a signatory to the final agreement.

And that I wanted to say that Duke Energy did follow a very balanced approach in developing the agreement. I have heard that word quite a bit tonight as I wrote down these words to speak. And the first word that came to my mind was, "balanced."

And I was glad to hear several other speakers use that same word.

The process that Duke followed was inclusive of all stakeholders and provided a comprehensive evaluation of all interests.

The City of Gastonia participated by serving on various committees along with other intake owners on the Catawaba-Wateree River Basin. The water model that was the result of these efforts will be a useful tool to manage water use over the next 50 years.

And I would like to add that I believe that these years of hard work of all the stakeholder involvement, it was quite amazing to watch all of this come together, and to achieve the balance that we were able to achieve.

And, like other speakers have said, everybody did not get exactly everything that they asked for, but everyone

was heard. There were compromises made, and that I think it is very important as FERC moves forward with this process to try to do their best to maintain this balance that all these stakeholders worked so very diligently to achieve.

Thank you.

MR. MURPHY: It's Sean again. With the comments that we have received tonight, the process going forward will be reviewing them, incorporating them into a Scoping Document II.

Sometimes we are lucky and we get through a progress -- the process of a project without having the issue of Scoping Document II, but I never had any hope for that on this project.

And that will incorporate the issues that have been brought forth that are -- that you have listed for us tonight.

We produced a schedule for production of the EIS after the second scoping document, which is in the -- the Scoping Document, of which we have copies, if you haven't had a chance to download it from our internet site.

We are looking at having the second scoping document ready in June, and producing a draft of the EIS in November. And comments are due from this Scoping Meeting 30 days from today or the last scoping meeting that we have this week. We won't judge you if it is in that band.

Am I forgetting anything?

(No response.)

MR. MURPHY: Does anybody else have any questions for us, while we are here?

(No response.)

MR. MURPHY: While we are here from Washington, D.C.?

(Laughter.)

(No response.)

MR. MURPHY: Okay. Well, I look forward to everybody's comment letters, if you haven't already submitted any.

Thank you for coming tonight.

(Whereupon, at 8:25 p.m., the meeting was concluded.)