

High Rock Lake Association, Inc.
P.O. Box 159
Southmont, NC 27351

January 31, 2004

Mr. Gene Ellis
Alcoa Power Generating Inc.
Yadkin Division
293 NC 740 Hwy.
PO Box 576
Badin, NC 28009

RE: Operation of High Rock Lake and the Drought Contingency Plan

Dear Gene,

As we've watched operation of High Rock Lake at the beginning of 2004, the members of the High Rock Lake Association have been seriously wondering if Alcoa Power Generating Inc. (Alcoa) really learned anything from the terrible impact to the community caused by draining the lake in 2002.

A Drought Contingency Plan (DCP) was required by FERC due to the conditions that led to the draining of High Rock Lake in 2002. That is, "the volume of outflow from the project exceeded inflow to the reservoir, consequently, the reservoir storage began to decrease" (excerpt from the background portion of FERC Order of April 23, 2003). When the lake reached about 20 ft. below full in 2002, Alcoa sought a variance to its license from FERC to allow reduced discharge from High Rock Lake; presumably to allow a rise in lake levels to mitigate the environmental, recreational, and economic damages resulting from a dry lake. Subsequent actions by FERC led to formation of the Drought Management Team. FERC ordered Alcoa to include The High Rock Lake Association Inc. (HRLA) as a Team member, in part due to our historical perspective on the operation of High Rock Lake.

With those facts in mind, the HRLA must advise Alcoa that we are extremely concerned that Alcoa's operations staff has again decided to operate its facility at High Rock in much the same fashion as in 2002; consistently allowing discharge to grossly exceed inflows resulting in dangerously low levels of High Rock Lake once again. There is not much difference to be seen between a 20 ft. drawdown in 2002, and a 20 ft. drawdown in 2004!

The HRLA is requesting immediate action to begin refilling High Rock Lake. The consequences of a potential repeat of 2002 are simply too great to allow Alcoa's Operations Managers to gamble with our future. The potential of some "spillage" at a later date is a very, very, small penalty to pay for insurance that Alcoa never again damages the people, the environment, and the economy of North Carolina as it did in 2002.

For the past 30 days we have observed average outflows from Projects 2197 and 2206 as much as 50% greater than inflows. The result is the same as 2002, a dry lake bed at High Rock Lake. As the condition of the lake worsens, HRLA members are reporting many of the same concerns that led to emergency action by FERC in 2002; including fish kills, wildlife entrapment in the mud, human entrapment in the mud, interruption of recreational use, and economic impact. A good example of environmental impact is the obvious extreme damage to the mussel population in High Rock Lake. During the Summer of 2002, the exposed lakebed was literally covered with dead mussels at many areas. This winter, there seem to be none, the population probably destroyed in 2002.

Alcoa is wrong to use the "Aquatic Habitat Study" as a reason for the reckless drawdown. The IAG approved a study plan that only required a 10 ft. drawdown. Anything beyond that has been purely at Alcoa's discretion. Alcoa should admit the real reasons for the drawdown, and not try to disguise the discharge of the water for power generation by characterizing it as being for scientific studies.

The extreme drawdown has been done at a time when both precipitation and stream flow in the watershed are below normal, according to NOAA and USGS data. According to NOAA data, although rainfall for all of 2003 was above normal, the high levels occurred during the first two quarters of 2003. In the last quarter of 2003, rainfall levels went considerably below average for the period, resulting in river and stream flows that are currently below historical long term averages. Compounding these concerns is the lack of an optimistic long range precipitation forecast for the region, according to current NOAA forecasts.

As of Friday, January 30, 2004 discharge rates from Alcoa and Progress Energy appear to be at least twice, perhaps three times the amount of inflow into our lakes. Now Badin is also dropping, making it clear that electricity prices during this cold weather are the reason for water levels we see. We are reminded of the statement made by your Operations VP Gregg Ott at the November 13, 2002 public meeting, as he defended the draining of the lake that year, when he said to many present, " I have a fiduciary responsibility to our shareholders....".

We are submitting this letter to Alcoa due to our serious concerns noted herein, and due to our obligation to the public under the conditions and expectations imposed upon our Association by FERC's Order.

Sincerely,

Larry O. Jones
President