

Cheoah River Resource Management and Enhancement Fund

Annual Report 2010

This annual report is submitted to satisfy the requirements of the Tapoco Project Relicensing Settlement Agreement (RSA) that requires an annual report be prepared and distributed to Board members and advisors and that Alcoa Power Generating Inc. (APGI) file the report with FERC by June 30 of the following year. The Cheoah River Resource Management and Enhancement Fund (“Fund”) (listed in the RSA as the North Carolina Resource Management and Enhancement Fund) was established through the Tapoco Project RSA and is to be administered by the Fund Board composed of authorized representatives of the North Carolina Wildlife Resources Commission (NCWRC), North Carolina Department of Environment and Natural Resources (NCDENR), USDA Forest Service (USFS), United States Fish and Wildlife Service (USFWS), and the Eastern Band of the Cherokee Indians (EBCI). APGI is required to provide an initial deposit of \$100,000 then annual deposits of \$25,000 (both in inflation adjusted dollars) except for the final 3 years of the new 40-year license.

2010 Board Activities

The annual payment of \$28,554 was received from APGI and deposited by NCDENR. The beginning balance for 2010 was \$140,298.70 and the ending balance was \$73,822.29. These funds were all obligated for ongoing projects. The following projects were in progress in 2010: Virginia spiraea monitoring & management, restoration ecology of fishes, captive culture and reintroduction of fishes and mussels, propagation of wounded darters, management of Yellow Creek exotic vegetation, gravel stockpile, and gravel installation.

APGI established a website for central storage of Fund Board business items. The Fund Board also agreed to continue funding the captive culture and reintroduction of fishes and mussels, and additional exotic vegetation control on the Yellow Creek tract. The Fund Board selected Jason Farmer as the Chair for 2011. See attached October 6, 2010 meeting minutes for additional details related to specific projects.

Cheoah River Resource Management and Enhancement Fund
Annual Meeting
October 6, 2010, 9:00 a.m.
USFWS Office and Conference Room
160 Zillicoa Street
Asheville, NC

Meeting Notes

Participants: Chris Goudreau (NCWRC)*
Jason Farmer (USFS)*
Mark Cantrell (USFWS)*
Jim Mead (NCDWR)*
Jody Johns (Long View Associates)
Jane Hargreaves (Hargreaves Associates)
Philip Moore (LTLT)
* Board member

Chris Goudreau called the meeting to order and noted that all Board members were in attendance except Mike Bolt. Since all members were not present, the Cheoah Fund Operating Protocol states that any decisions made by the Board at the meeting are considered tentative.

1. Update of Finances

Chris Goudreau provided a copy of the financial report for 2010 through September 22 (Attachment 1). Currently, there is \$99,206.32 in the account. After subtracting outstanding financial obligations, the Fund has approximately \$20,000.00 remaining without considering APGI's 2011 contribution. We are now at a point where income and disbursements must be carefully considered to avoid cash balance problems.

2. Reports of Funded Projects

a. Appalachian elktoe genetics (USFWS & NCWRC 2007)

Chris passed along a verbal report from Steve Fraley (NCWRC) that a draft genetics report has been received from Dr. Morgan Raley, with a final report due soon.

b. Virginia spiraea monitoring & management (USFWS, USFS, Hargreaves 2007)

Jane Hargreaves provided a verbal summary of her written report (Attachment 2). She reported that exotic invasives have been greatly reduced over the past 16 months of treatment. Kudzu is still a problem at Spiraea site 1. The USFS contractors (using ARRA stimulus funds) are doing a great job and will continue their work until 2014. Jane will complete her Cheoah Fund work by October 31, 2010.

c. Restoration ecology of fishes (Virginia Tech 2007)

Chris handed out copies of the written report prepared by Ryan McMannamay and received just one day prior to the meeting (Attachment 3). Ryan is currently preparing his dissertation and several manuscripts. Don Orth has requested an extension in the contract, but no additional funds will be required.

d. Captive culture and reintroduction of fishes and mussels (NCWRC 2009)

Chris provided a verbal summary of the written report provided by Steve Fraley (Attachment 4). Much knowledge and experience has been gained this past year in producing both fish and mussels. Outlook for 2011 is very good.

e. Propagation of wounded darters (CFI 2009)

Chris referenced the written report (Attachment 5) prepared by CFI and indicated that the darters were raised and stocked as indicated. New personnel at DENR (fiduciary agents) have held up the contract paperwork for the second year of this grant. Chris is working with DENR to create a new contract.

f. Management of Yellow Cr. exotic vegetation (LTLT 2009)

Philip Moore reported that efforts to control privet seem to be working, but kudzu and oriental bittersweet are an ongoing problem. They are replanting privet areas with red maple, sycamore and persimmon, while letting the herbaceous layer recover on its own. Alder might also be planted. A written report is provided (Attachment 6).

g. Gravel stockpile (NCWRC, LBM Industries 2010)

Chris reported that mixed gravel was obtained earlier in the year. The intent was to purchase two cycles (200 cubic yards) of gravel, but due to a misunderstanding by the vendor, we have 300 cubic yards of material, which is enough for three cycles of gravel augmentation. The total cost was about \$16,500.00, which is about \$5,500.00 per cycle. Even when installation costs are added, it is expected that the new gravel will be considerably less than the \$24,000 cost of the first installation in 2008.

h. Gravel installation (NCWRC, ?? 2010)

Chris reported that this project is currently in the bidding process. Once a vendor is selected we still need to obtain the 404 permit from the Corps of Engineers. The target completion date for gravel installation of the gravel is November 24.

3. Other Updates

a. Website (APGI)

Jody Johns said that there are two website pages – one for the general public (http://www.alcoa.com/tapoco/en/info_page/nc_fund_board.asp) and a second one that is password protected. The protected page is intended to house copies of emails and other documents to be archived for the long-term history of the Fund.

b. Monitoring Plan (added to the agenda at the meeting)

A general discussion was held regarding revisiting the draft “monitoring plan” for the Cheoah River prepared during relicensing. In particular, the Board needs to review the recovery and monitoring objectives of the plan, identify focus areas and techniques, and then update the plan. Each organization was tasked with identifying the appropriate personnel that should be involved in the process.

4. Review of Fund Proposals for 2011

a. Captive culture and reintroduction of fishes and mussels (NCWRC 2010)

The Board members present agreed to fund this proposal of \$10,000 for 2011. The propagation and stocking efforts meet the central goal of the Fund and should be continued. The decision is tentative, pending agreement by Mike Bolt.

b. Yellow Creek exotic vegetation (LTLT 2010)

The Board members present agreed to fund this proposal as written, \$6,000 per year for four years. The LTLT will match the Cheoah Fund grant by nearly 2:1. Again, the decision is tentative, pending agreement by Mike Bolt.

5. Select Chair for 2011

After some discussion, Jason Farmer was tentatively selected to be the Fund Board Chair for 2011.

6. Review Action Items

- a. Jane Hargreaves – Submit final report and spreadsheet.
- b. Chris Goudreau – Forward VT report to group. [Done]
- c. Chris Goudreau – Contact DENR regarding CFI contract.
- d. Chris Goudreau – Contact COE regarding 404 permit for gravel installation.
- e. Chris Goudreau – Update information for posting on website.
- f. Chris Goudreau – Send monitoring plan to group.
- g. Chris Goudreau – Send email to Mike Bolt describing tentative decisions. [Done]
- h. All Board Members – Identify people to be involved in updating the monitoring plan.

7. Adjourn

Note – Subsequent to the meeting, Mike Bolt concurred with the tentative decisions reached by the Board (Attachment 7).

Attachment 1

CHEOAH RIVER RESOURCE MANAGEMENT AND ENHANCEMENT FUND
Fiduciary Report
2010 (through September 22)

1/1/2010	Fund Balance		\$ 141,593.77
2/5/2010	Alcoa 2010 deposit		\$ 28,554.00
Disbursements 2010			
1/26/2010	Hargreaves Associates	\$ 6,200.00	
2/9/2010	Virginia Tech	\$ 12,305.83	
2/9/2010	Land Trust Little Tennessee	\$ 5,000.00	
4/13/2010	Conservation Fisheries	\$ 8,000.00	
5/18/2010	WRC mussel propagation	\$ 5,000.00	
5/18/2010	Virginia Tech	\$ 1,190.02	
6/25/2010	WRC mussel propagation	\$ 5,000.00	
8/10/2010	Virginia Tech	\$ 7,253.60	
8/24/2010	WRC (gravel)	\$ 16,592.00	
pending	Hargreaves Associates	\$ 6,900.00	
	Total 2010 Disbursements		\$ (73,441.45)
1/1/10 – 12/31/10	2010 Interest Added (est.)		\$ 2,500.00
9/22/2010	Fund Balance		\$ 99,206.32
Outstanding Obligations			
	Virginia Tech (2010-11)	\$ 59,812.64	
	Hargreaves Associates	\$ 1,500.00	
	CFI wounded darter (2010)	\$ 8,000.00	
	Gravel placement (est.) (2010)	\$ 10,000.00	
	Total Outstanding Obligations		\$ (79,312.64)
	Available Funds		\$ 19,893.68

Tallassee Fund Annual Report 2010

This annual report is submitted to satisfy the requirements of the Tapoco Project Relicensing Settlement Agreement that requires an annual report be prepared and distributed to the members of the Board and the advisors, in the 1st quarter of each year covering activity in the previous calendar year. This written report summarizes what the Tallassee Board has accomplished to date specifically to establish and organize the Board and the Fund.

Background. On January 25, 2005, the Federal Energy Regulatory Commission issued Alcoa Power Generating Inc. (APGI) a new License, effective March 1, 2005, for the Tapoco Hydroelectric Project, FERC hydropower project No. 2169-020 (“Project”). The FERC license order also approved an offer of settlement filed by APGI on behalf of itself and most of the major parties to the relicensing proceeding. The new license contains conditions incorporating, with certain exceptions, the terms of the settlement agreement, including establishment of the Tallassee Fund.

The Tapoco Project Relicensing Settlement Agreement (hereafter RSA)(Appendix A, Section 7.3 and Section 8.3) requires the Licensee to file with the Commission prior to June 30 of each year, a report prepared by the beneficiary entities on the implementation and status of funding proposals approved pursuant to the NC and Tallassee funds that reflects the amount of payments deposited into and disbursed from the funds and the specific activities undertaken with monies from the funds in the previous calendar year. The Tapoco Project RSA (Appendix B-4) requires the Tallassee Board to deliver a final report to APGI by June 15 of each year to enable APGI to file a copy of the report with the Commission prior to June 30.

The Tallassee Fund was established through the Settlement Agreement among numerous parties to the relicensing proceeding for the Project. The Settlement Agreement was adopted and approved by FERC in its Relicensing Order dated January 25, 2005, which granted a 40-year license to APGI, effective March 1, 2005. The settling parties agreed to create the Tallassee Fund through Section 2.3 and Appendix B-4.2 of the Settlement Agreement. APGI is required to provide \$100,000 per year (in inflation-adjusted dollars) to the Fund for each of the 40 years of the license. Pursuant to Appendix B-4.2, Section IV, the Board of the Fund is to be comprised of one representative each from the following entities: The U.S. Fish and Wildlife Service, the U.S. Forest Service, Great Smoky Mountains National Park (a unit of the National Park Service), the Tennessee Department of Environment and Conservation, the Tennessee Wildlife Resources Agency, The Eastern Band of Cherokee Indians, The Nature Conservancy, the National Parks Conservation Association, the Tennessee Clean Water Network, and American Rivers. APGI serves as an advisory member of the Board.

2010 Report. Pursuant to the Tallassee Fund Bylaws, the Settlement Agreement, and the License, we conducted our annual meeting of the Tallassee Fund Board on November 11, 2010, during the 4th Quarter of 2010. At the meeting the Board heard progress reports on funded projects, discussed priorities for the upcoming year, reviewed project proposals, and agreed to fund appropriate projects for 2011.

The following high priority projects were funded by the Tallassee Fund for 2010:

Name	Title	Grant Number	Dates	Amount
Conservation Fisheries, Inc *	Blotchside log perch	23696-GR1133778	7/1/2010-6/30/2012	\$15,000
Discover Life in America	Inventory of snails	18452-GR1030386	1/10/2010-6/30/2010	\$10,000
Great Smoky Mountains National Park	Assessment of Exotic Hogs	19187-GG1130808	7/1/2010-6/30/2011	\$21,000
Great Smoky Mountains National Park	Algal Species Inventory & Water Chemistry of lower Abrams Creek	19387-GG1130930	7/1/2010-6/30/2011	\$6,000
Great Smoky Mountains National Park*	Removal of Invasive Plant Species	19146-GG103077	7/1/2010-6/30/2012	\$20,000
UGSG	Collect and Identify <i>Diplectrona</i> and <i>D. metaqui</i> species	20219-GU1031320	1/10/2010-6/30/2011	\$7,500
AMOUNT TOTALS for 2010				\$79,500

* These are two year grants however for purposes of reporting funds expended in 2010, the yearly amount is reported.

These projects will further the purposes of the Tallassee Fund by helping to restore and protect biological resources in the project area and reduce the impacts of invasive plant and animal species in the Tapoco lands.

The amount due the Fund for 2010 was \$114,216, adjusted for the Gross Domestic Product Implicit Price Deflator as described in Tapoco Project RSA 7.4 *Escalation of Funds*. Obligations from the Fund during 2010 totaled \$79,500.

The Tallassee Fund Board established priorities for 2011 that include rare species reintroductions, watershed conservation, exotic species control and cultural resource preservation.

These projects were funded for 2011-2012

Title	Grantee	Amount
Treatment of Eastern Hemlock Stands	Great Smoky Mountains National Park	\$20,000
Intensive Control of Wild Hogs	Great Smoky Mountains National Park	\$21,000 (\$5,000 first year and \$16,000 second year)
Identify and Improve Fire-Dominated Bird Habitat	Great Smoky Mountains National Park	\$21,500
Documentary Meadi Package to Promote Diverse Aquatic Species at Citico Creek	Freshwater Illustrated	\$17,250 (\$12,250 first year; \$5,000 second Year)
Roost Ecology of Eastern small-footed bats (<i>myotis leibii</i>)	Indiana University	\$32,000
Utilizing of the Cherokee heritage, tradition, and	Sequoyah Birthplace	\$4,000

the Cherokee syllabary	Museum	
Total for 2011		\$94,750

2011 Annual Meeting Scheduled.

The Fund Board will hold its annual planning meeting during the fourth quarter, on Wednesday November 2, 2011, at the Knoxville offices of the Tennessee Clean Water Network, to review the status of funded proposals for 2011 and consider funding priorities and requests for 2012.

If you have any questions about the Tallassee Fund, or its operation during the term of this report, please contact Ms. Renée Victoria Hoyos, Executive Director, Tennessee Clean Water Network 865.522.7007 x100.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list in this proceeding in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Badin, North Carolina this 21st day of June 2010.

A handwritten signature in cursive script that reads "Marshall L. Olson".

APGI Environmental and Natural Resources Manager
APGI Tapoco Division
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