

Questions about Alcoa Power Generating Inc.'s Yadkin Project

For nearly 100 years, Alcoa and its subsidiary, Alcoa Power Generating Inc., have been responsible members of the North Carolina business community, providing good, safe jobs for state residents. Currently, Alcoa Power Generating Inc. is pursuing a new operating license for the Yadkin Project, a hydroelectric facility. The process has prompted a number of questions from those opposed to the new license. Below are the facts.

Yadkin Project

- **Is it true that the Federal Power Act of 1920 gave Alcoa Power Generating Inc. the right to build the Yadkin Dams for the state and, as an incentive, allowed APGI to profit from a 50-year “lease?”**
Alcoa made a strategic investment decision to purchase property along the Yadkin River and to begin developing the Yadkin Project in 1915 – five years before the Federal Power Act was enacted. Over the years, Alcoa and Alcoa Power Generating Inc. invested millions of dollars into the project with the hope, like any other business owner, that over time the Company could earn an acceptable return. The Yadkin Project – including its land and water rights, dams and power generating equipment – is owned by Alcoa Power Generating Inc. Efforts to take over the Yadkin Project amount to a government seizure of private property.
- **Does the Yadkin Project “revert” to the state if the license is not renewed?**
There is nothing in the Federal Power Act or Alcoa’s 1958 license that calls for control of the dams to revert to the state or any government entity. There is a clause that gives the federal government the opportunity to pursue a takeover of the dams, but that has never happened before in the history of the Federal Power Act. A government takeover of a hydro project requires the Federal Energy Regulatory Commission (FERC) or another federal agency to recommend it and receive approval from Congress. No federal agency expressed any interest in operating the Yadkin Project. In fact, FERC staff said a federal takeover was not a reasonable alternative and recommended issuing a new long-term license for Alcoa Power Generating Inc. following a two-year Environmental Impact Study of the Yadkin Project.
- **Is the Yadkin Project a financial windfall for Alcoa Power Generating Inc.?**
The Yadkin Project is a good business for APGI. However, it is not without financial risk, and the costs associated with operating the Yadkin Project are significant and well documented. In its 2006 license application with the Federal Energy Regulatory Commission, APGI provided a snapshot of some of its financials, indicating expenses and depreciation exceeding \$30 million a year and more than \$5 million in federal, state and local taxes. APGI spends about \$500,000 a year maintaining public access areas around the Yadkin Project so that North Carolina residents can enjoy swimming, boating and fishing on the lakes. APGI has plans to make investments to upgrade the dams and

powerhouses and commitments to improve water quality, which, in total, will approximate \$240 million, to be completed after issuance of a new license.

- **What would it cost the state to take over the Yadkin Project?**

A takeover of the Yadkin Project could cost North Carolina taxpayers \$500 million or more. A takeover would also require payment of severance costs, plus the new operator would be responsible for completing investments to upgrade the facilities and requirements to improve water quality.