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## Relicensing Update

### Proposed tax on hydropower at odds with efforts to position North Carolina as a national leader in green energy

North Carolina wants to be a national green energy leader, but a proposed new tax on companies that produce hydropower could hamper efforts to attract companies in the renewable energy industry.

Sen. Stan Bingham (Davidson County) last week introduced [Senate Bill 569](#), a measure that would allow certain counties to levy a privilege tax on businesses that produce hydropower. Hydropower accounts for 20 percent of the world's energy and is widely regarded as the cleanest form of renewable energy.

The effort to levy additional taxes on hydropower operators is in stark contrast to North Carolina's efforts to encourage renewable energy and attract "green collar" jobs in the renewable energy industry. North Carolina passed a landmark renewable energy bill in 2007 (SB3: Promote Renewable Energy/Baseload Generation) that requires utilities to significantly increase their use of renewable energy by 2012. In addition, the state has established a "Green Business Fund" that provides tax financial incentives to companies developing renewable energy technologies.

"It's disappointing that North Carolina would consider forcing companies that generate hydropower to pay additional taxes, especially at a time when generating clean, renewable energy is a high priority with voters. This could negatively impact the perception of North Carolina among renewable energy companies that are considering business opportunities in North Carolina," said Gene Ellis, licensing and property manager for Alcoa Power Generating Inc. (APGI), which that operates the Hydroelectric Project along the Yadkin River in central North Carolina.

This proposed tax has the ability to become widespread and negatively impact every company that produces renewable energy in North Carolina.

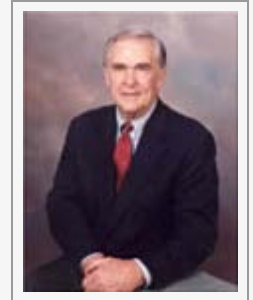
"If this bill passes, we believe other counties will be lining up at the General Assembly, seeking permission to create all sorts of new taxes," Ellis said. "In this economic environment, it just doesn't make sense. Our state leaders should focus on measures that will make North Carolina more friendly to private business."

The specific goal of SB 569 appears to be another attempt by Stanly County to push for the takeover of the Yadkin Project, one of 22 privately-owned hydropower projects in North Carolina. The county has stated that the privilege tax is a "Plan B" in the event that it fails to win support for a "State Trust" concept that calls for the state to condemn the Yadkin Project. The State Trust concept would cost North Carolina taxpayers hundreds of millions of dollars, plus \$240 million needed to

## Relicensing Update

**Mayor Whitley speaks out against Stanly County commissioners for spending nearly \$1 million in taxpayer money to fight Alcoa.**

In a two-page letter to Gov. Beverly Perdue, Albemarle Mayor Whit Whitley says the Stanly County Commissioners effort to take Alcoa's property is motivated by greed.



He writes, "...greed for the ownership of Alcoa's land around the lakes and greed for the revenue that the dams produce are not in the long term best interest of the County or the State and certainly not in the best interest of the Free Enterprise System."

[Click here to read Mayor Whitley's entire letter.](#)

## Environmental Spotlight



**Relicensing agreement will help preserve scenic beauty around the lakes**

The natural beauty surrounding the Yadkin lakes is one of the community's greatest assets and Alcoa-Yadkin is committed to protecting this property. As part of the relicensing agreement, Alcoa-Yadkin has agreed to donate or sell more than 6,000 acres of land — much of it pristine lakefront property — for conservation, recreation and game

upgrade the dams.

Stanly County claims if the state managed the project, it could provide new jobs and clean up waste sites associated with Alcoa's Badin Works. However, Alcoa is actively working to redevelop the Badin Works site and has already spent \$10 million to remediate old waste sites associated with its historic operations. Alcoa has acknowledged that it has a permanent, legal responsibility to manage waste sites in a responsible manner that will protect public health. Taxpayers will never be asked to pay for the cost of remediation.

APGI has operated the Yadkin Project since 1915. The company is currently seeking to renew its license with the Federal Energy Regulatory Commission (FERC) and a small group of vocal critics in Stanly County is opposing the license renewal. Stanly County has already spent nearly \$1 million in taxpayer money to oppose a new license for APGI.

In a March 2 letter to Gov. Beverly Perdue, Albemarle Mayor Whit Whitley expressed concerns that the county's opposition to APGI would discourage other businesses from locating here. "What industry or manufacturing plant would be interested in coming to NC or Stanly County if they use natural resources?" Whitley asked. "What would the opinion of reasonable thinking people be when they realize NC and Stanly County no longer have any regard for the free enterprise system?"

### Mayor says greed spurs Alcoa fight

[The Charlotte Observer](#) recently published an article highlighting arguments by Mayor Whit Whitley of Albemarle in a letter to N.C. Gov. Beverly Perdue regarding the Yadkin Project relicensing. Bruce Henderson reported that Mayor Whitley is disturbed that Stanly County Commissioners have spent nearly \$1 million of taxpayer money on lawyers and PR firms to fight Alcoa, claiming they are "motivated by greed."

The Charlotte Observer  
March 4, 2009

### Mayor says greed spurs Alcoa fight

By Bruce Henderson

The nearly \$1 million Stanly County has spent to fight renewal of Alcoa's Yadkin River hydroelectric license is "motivated by greed," says the mayor of the county seat, Albemarle.

The county is aggressively lobbying to reclaim the federal license, which Alcoa has held for more than 50 years, and place it in public hands. Alcoa's aluminum works, once Stanly's largest employer, has closed and its hydro power is sold on the open market.

This week Albemarle Mayor Elbert Whitley Jr. wrote Gov. Bev Perdue, who has expressed personal misgivings about renewing Alcoa's license, to defend the company.

Whitley questioned the county's spending \$965,000 over three years on lawyers and public relations experts to make its case.

"Why is this issue even on the table?" Whitley wrote. "The only true consideration is greed, and I am appalled that the state of North Carolina is buying into this type of thinking."

lands.

This property will provide new and expanded recreational opportunities for local residents and tourists alike, while providing important environmental protections that will improve water quality and maintain a healthy natural habitat for wildlife.

When the agreement was first announced, the planned land conservation was widely praised by environmental groups such as the Land Trust of Central North Carolina. Jason Walser, the group's executive director, said: "This agreement represents one of the largest and most important conservation opportunities we have seen in the Southern Piedmont in a generation. We may never see another conservation opportunity of this scale again. What's truly significant is the quality of the land being offered by Alcoa. The waterfront land possesses incredible ecological value, and nearly all of the proposed land will be available to the public for recreation or hunting."

The land donation will include more than 1,000 acres for the planned expansion of Morrow Mountain State Park, along with land for a new lakefront park in Badin and land to expand Uwharrie National Forest in Montgomery County. In addition, Alcoa-Yadkin will donate land that is currently part of the Eagle Point Nature Preserve to Rowan County.

### Inside Alcoa



#### Alcoa rated among the world's "most admired" companies for 26th straight year

Alcoa is the world's most admired metals company according to *Fortune* magazine's annual survey of the World's Most Admired Companies (March 9, 2009). *Fortune's* Most Admired Ranking is the definitive report card on corporate reputation.

In addition to being the most admired metals company, Alcoa also took top position in innovation, social responsibility, and quality of products and services within the entire industry.

Whitley, a Democrat, charged in an interview that the Republican-majority county commissioners want Alcoa's millions of dollars in hydro revenue and thousands of acres it owns around the four Yadkin reservoirs.

If the commissioners win, he predicted, new industries that use natural resources will be afraid to locate in Stanly.

County manager Andy Lucas suspects Whitley also has a financial motive. Alcoa's proposed license terms allow Albemarle to draw up to 11 million gallons of water a day from the company's reservoirs without charge.

"They've been given a financial incentive to go along with Alcoa on this," he said.

"We believe we need to protect the water and that's why we've spent nearly \$1 million on this. We think it's an investment in our future to protect that resource and keep jobs in this region."

Stanly is paying law firms in Raleigh and Washington, D.C., as well as a Raleigh public relations firm to make its case. Lucas said he doesn't know what future costs may total. The county has a \$60 million annual budget.

If the county gets what it wants, Lucas said, its expenses will be repaid "many times over."

#### **Reaction to The Charlotte Observer article:**

"The truth is, if the county gets what it wants, North Carolina taxpayers will have to spend a whole lot more to seize Alcoa's property by condemnation. That would likely cost hundreds of millions of dollars, including \$240 million in upgrades to power generation units and technology to improve water quality." — Gene Ellis, Alcoa Power Generating Inc.

[Read more...](#)

"Thank you, Mayor Whitley, for speaking out against the proposed 'takeover' of the Yadkin River Basin and the Alcoa dams by the Stanly County commissioners. Thank you for pointing out the waste of almost \$1 million of taxpayers' money on this 'boondoggle,' especially during the economic times we are all now facing." — Jane Borders, Albemarle

[Read more...](#)

"I am disgusted that in a time of economic downturn with unemployment creeping up and our individual spending ability creeping down the commissioners can be wantonly wasting our tax money on a bogus project. Mayor Whitley of Albemarle is well within his rights to try and stop these shenanigans and point out exactly what my fellow Republicans are doing. Shame on our [Republican] party for permitting these representatives to squander our money and practicing bad government while supposedly representing us." — Thomas McCluskey, New London

[Read more...](#)

## Around the Lakes

**Region prepares for drought: With the Yadkin-Pee Dee River Basin experiencing moderate drought conditions, the Yadkin Drought Management Team is planning ahead to minimize impact on area lake levels**

The Yadkin Drought Management Team, a collection of state and federal agencies, hydropower operators, business interests, lake advocates and others, is bracing for the possibility of another drought this summer. The team recently reviewed its plan for response, should the region experience below-average rainfall amounts again this

"Being named by your peers as having the best reputation in the entire metals industry is a tribute to all Alcoans and a reaffirmation of the importance of aluminum as one of the world's preeminent metals. Alcoa accepts the responsibility of industry leader during these challenging times," said Alcoa CEO and President Klaus Kleinfeld.

Alcoa has been included in the ranking of the most admired companies for 26 consecutive years.

This year *Fortune* combined the America's most admired survey and world's most admired survey to better represent the competitive landscape faced by companies. More than 4,000 corporate executives, directors and financial analysts were surveyed ranking companies on nine key attributes from investment value to social responsibility.

## Did You Know?

There are 22 privately-owned hydroelectric projects in the State of North Carolina, including the Yadkin Project. Under North Carolina law, owners of property adjoining a river have the legal right to access and use the water from that river. This is called a "riparian right."

By virtue of the 38,000 acres of property it owns along the Yadkin River, Alcoa-Yadkin has riparian rights that allow it to use water from the river to generate clean, renewable energy. Other private hydropower operators across North Carolina do the same thing.

Even with riparian water rights, Alcoa-Yadkin's use of the water is subject to state and federal regulation, to ensure that the public interest is protected.

This electronic newsletter is designed to keep the community informed about important issues related to the relicensing of the Yadkin Project.

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year.

On March 3, the U.S. Drought Monitor classified the Yadkin – Pee Dee River Basin as experiencing moderate drought conditions, the lowest stage of drought. While conditions have improved in the past week as a result of a storm that brought up to 6 inches of snow, the Yadkin Drought Management Team is planning ahead to help protect the water supply.

“The recent snowfall was a tremendous boost but precipitation totals are still below average, especially in the upper end of the river basin. The weather patterns look a lot like last year, which could result in below average rainfall,” said Marshall Olson, environmental and natural resources manager for Alcoa-Yadkin, which operates the Yadkin Hydroelectric Project that includes High Rock Lake and Badin Lake. “The Drought Management Team is planning to closely monitor weather conditions and will recommend proactive steps to help minimize the impact of drought.”

During last year’s drought, Alcoa-Yadkin and Progress Energy worked together to protect water levels at area reservoirs and provide a dependable flow of water to municipalities and business users located downstream. Alcoa-Yadkin voluntarily reduced its power generation and twice received permission from the Federal Energy Regulatory Commission (FERC) to reduce the amount of water it is required to send downstream. Meanwhile, Progress Energy adjusted its operating schedule to protect public water system intakes that draw from the Yadkin–Pee Dee system.

All of the reservoirs along the Yadkin-Pee Dee River are currently near full, but groundwater levels throughout the region remain low. When groundwater levels are low, rainfall is absorbed into ground and does not flow into creeks and streams that feed the river.

During moderate drought conditions, the [North Carolina Drought Management Advisory Council](#) advises water users to begin conserving water.

## IMPORTANT FACTS ABOUT BADIN LAKE WATER LEVELS

- #1 Alcoa-Yadkin has no plans to change the way it operates Badin Lake during normal weather conditions.

## In the Community

### Alcoa Foundation to send two Badin School teachers to workshop in New Orleans

Alcoa Foundation has announced that it will send two school teachers from Badin School to a week-long workshop in New Orleans this summer that focuses on design education. The teachers will be selected by the school later this month.



The “City of Neighborhoods” program brings together educators from across the country and provides strategies for extending their classroom into the community. For example, the program shows teachers how they can use architecture, streetscapes, maps, historic and cultural materials to explore a neighborhood’s past, analyze its present and plan for its future. By transforming local neighborhoods into a visual textbook, teachers can make any subject relevant to students.

The “City of Neighborhoods” program is hosted by the Smithsonian’s Cooper-Hewitt National Design Museum, with support from the Alcoa Foundation. The Alcoa Foundation’s partnership allows Cooper-Hewitt to expand the reach of the program and bring design education to new communities, including Badin.

Two Badin School teachers participated in this program last summer thanks to the support of the Alcoa Foundation. Social studies teacher Lori Baucom and science teacher Frederick Smith have incorporated what they learned at the program into lesson plans for students at Badin School.



Life jackets save lives.

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**Balancing Energy Generation, Recreation *and* Environmental Resources**