

DPNA Update to TCST and NCST Members – March 2004

Fellow Nantahala Area Stakeholders,

I hope all of you are doing well and have enjoyed the winter. If you didn't like the cold weather, hang on because the warmth of spring and the heat of summer are on the way. If you will recall, both the Nantahala Cooperative Stakeholder Team (NCST) and the Tuckasegee Cooperative Stakeholder Team (TCST) Settlement Agreements provided for Duke Power Nantahala Area (DPNA) to implement some of the resource enhancements in 2004. The purpose of this note is to provide all stakeholders with an update as to what DPNA is doing to ensure the commitments are met by the agreed upon dates.

Topics discussed in this update include the following:

- **Public information**
- **Dillsboro Dam removal**
- **DPNA Reservoir levels with charts and graphs**
- **Discussions with organizations that didn't sign the Settlement Agreement(s)**
- **Request from a Party to withdraw as a signatory to the TCST Settlement Agreement**
- **Reservoir and river recreational enhancements**
- **Post-Submittal Application Review Process & Milestone Schedule**

Public Information Agreements

DPNA agreed to make the following specific public information improvements beginning in 2004:

1. *Reimburse the United States Geological Survey (USGS) for the reactivation of USGS Gage # 03510500 and USGS Gage # 03508000 on the Tuckasegee River and USGS Gage # 03505500 on the Nantahala River.*

DPNA and the USGS have agreed on the initial installation and yearly maintenance costs for the USGS to install and maintain the three above mentioned gages. The USGS completed a reconnaissance of the three locations where Duke Power requested assistance in establishing stream gages. The sites for which reconnaissance was performed include former USGS gage locations on the Tuckasegee River at Tuckasegee and Dillsboro and the Nantahala River at Nantahala. However, in each case, due to safety issues or high-water measuring access, the USGS was forced to consider nearby alternate locations. The new USGS recommended locations are described below:

- a) 03508000 Tuckasegee River at Tuckasegee, N.C. The old USGS gage was located at River Mile 48.5 with a drainage area of 143 square miles. The new gage will be located approximately 1.3 miles downstream at a new concrete bridge on SR 1172 Moody Bridge Road. This site has a drainage

DPNA Update to TCST and NCST Members – March 2004

area of 145 square miles and is at River Mile 47.2. Additional inflow between the two sites is negligible.

- b) 03510500 Tuckasegee River at Dillsboro, N.C. The old USGS gage was located at River Mile 31.1 with a drainage are of 347 square miles. The new gage will be located approximately 3.9 miles downstream at a new concrete bridge on SR 1392 Barkers Creek Road. This site has a drainage area of 360 square miles and is at River Mile 27.2.
- c) 03505500 Nantahala River at Nantahala, N.C. The old USGS gage was located at River Mile 10.8 with a drainage area of 144 square miles. The new gage will be located about 3.0 mi downstream at a bridge owned by the Forest Service. This site has a drainage area of about 150 square miles and is at River Mile 7.8.

The installation of the gages at the above locations will occur in the late spring or early summer of 2004. Each gage will be installed to monitor river stage at 15-minute intervals and transmit the information via satellite to the USGS office in Raleigh each hour, for display on the USGS web page at <http://nc.waterdata.usgs.gov/nwis/rt> .

- 2. *Provide information in a timely manner on its website for the West Fork, East Fork and Nantahala Reservoirs (the Normal Operating Range, actual reservoir level, recent reservoir level history, near-term reservoir level projections, and special messages), and recreational flows (generation and bypassed release flow schedules, a hotlink to USGS Gage # 03510500 and USGS Gage # 03508000 on the main stem of the Tuckasegee River and USGS Gage # 03505500 on the Nantahala River, and special messages).*

Lake Level Information can be viewed on the www.nantahalapower.com website. After reaching the DPNA homepage, click on the Lakes and Recreation link. Next, click on the Lake Levels link and select a reservoir and submit the selected choice. The following table is a copy of the webpage for Lake Glenville on March 19, 2004. The user can view the 7-day and the 3-month graphs, read special messages pertaining to the operation of the Hydro Project, view the annual Normal Operating Range and view daily statistics.

DPNA Update to TCST and NCST Members – March 2004

| Lake Name | Actual Lake Level | Normal Target Elevation | Normal Min/Max Elevation | Annual Normal Operating Range | Graphs | Message |
|----------------|-------------------|-------------------------|--------------------------|-------------------------------|----------------------------------------------------|-------------------------|
| Lake Glenville | 92.0 | 92.2 | 88.0/94.0 ¹ | Range | → 7-Day → 3-Mth | Message |

¹ Normal Min/Max Elevations have not been interpolated. This problem is being addressed and will be corrected on the DPNA web page.

Generation schedules and river flow information can also be viewed at www.nantahalapower.com. The following table is a copy of the webpage that provides boaters and anglers with the generation schedules for the East Fork, West Fork and Nantahala Projects. The user can also view different river locations on the main stem Tuckasegee River to determine the approximate times when the generation flows would arrive and recede with the noted generation schedule.

Generation Schedules

| East Fork | | West Fork | | Nantahala | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Begin | End | Begin | End | Begin | End |
| 03/19/2004 06:00:00 AM | 03/19/2004 12:00:00 PM | 03/19/2004 06:00:00 AM | 03/19/2004 12:00:00 PM | 03/19/2004 05:00:00 AM | 03/19/2004 06:00:00 PM |
| 03/20/2004 06:00:00 AM | 03/20/2004 12:00:00 PM | 03/20/2004 06:00:00 AM | 03/20/2004 12:00:00 PM | 03/20/2004 05:00:00 AM | 03/20/2004 06:00:00 PM |
| 03/21/2004 06:00:00 AM | 03/21/2004 12:00:00 PM | 03/21/2004 06:00:00 AM | 03/21/2004 12:00:00 PM | 03/21/2004 05:00:00 AM | 03/21/2004 06:00:00 PM |
| Message | | Message | | Message | |

A hotlink to USGS Gages on the main stem of the Tuckasegee River and the USGS Gage on the Nantahala River will be installed after the USGS installs and rates the gages.

- Provide information in a timely manner on its telephone system for each East Fork, West Fork and Nantahala Reservoir (actual reservoir level and special messages) and recreational flows (generation and bypassed reach release flow schedule and special messages).*

Lake Level Information, generation schedules, flow release schedules and special messages are provided on the DPNA Voice Recording Unit (VRU). The toll free number is 1-866-332-5253.

DPNA Update to TCST and NCST Members – March 2004

Dillsboro Dam Removal

DPNA and their primary contractor, Devine Tarbell & Associates, have contracted with Milone & McBroom Inc. who have participated in previous dam removals to provide technical and sediment management expertise for improving the draft Dillsboro Dam Removal Environmental and Biological Assessments (EA/BA). American Rivers informed DPNA that their organization supports the removal of Dillsboro Dam and is willing to provide dam removal expertise as well as providing educational outreach programs concerning the removal of dams. The revised draft Dillsboro Dam Removal EA/BA and the draft Dillsboro Project license surrender application will be sent to interested stakeholders on April 9 for review and comment. The final EA/BA and license surrender application will be filed with the FERC by June 1, 2004.

Reservoir Level Agreements

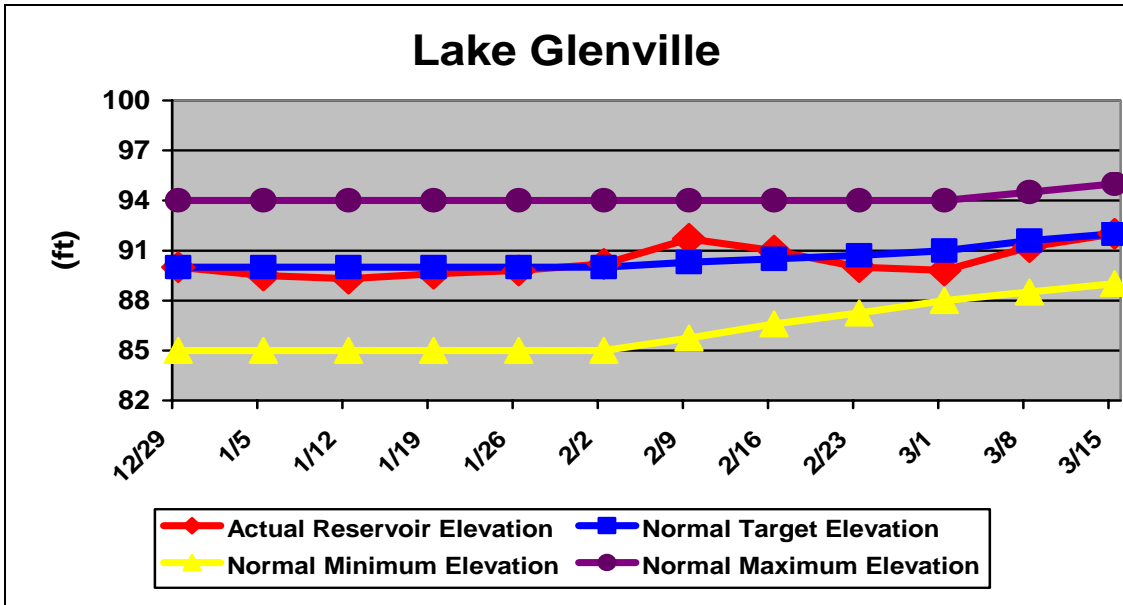
Beginning January 1, 2004, DPNA agreed to begin using the agreed upon Normal Operating Ranges and endeavor in good faith to achieve the Normal Target Elevations at each West Fork, East Fork and Nantahala Project reservoir. The following graph for each reservoir presents a good picture showing that DPNA is meeting its commitment to achieve the Normal Target Elevations at the DPNA reservoirs. Note that during the high flow period in early February, the lake elevations could not be maintained at the Normal Target Elevations, but as soon as weather permitted, the reservoirs were stabilized at the Normal Target Elevations. The time period shown in the graphs is from 12/29/2003 to 3/15/2004.

Lake Glenville

| Month | Normal Minimum Elevation (ft) | Normal Target Elevation (ft) | Normal Maximum Elevation (ft) |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Jan ² | 85 | 90 | 94 |
| Feb ² | 85 | 90 | 94 |
| Mar ² | 88 | 91 | 94 |
| Apr ² | 90 | 93 | 96 |

²The elevations in the above table are for the first day of month and other days are calculated by interpolation on each table.

DPNA Update to TCST and NCST Members – March 2004

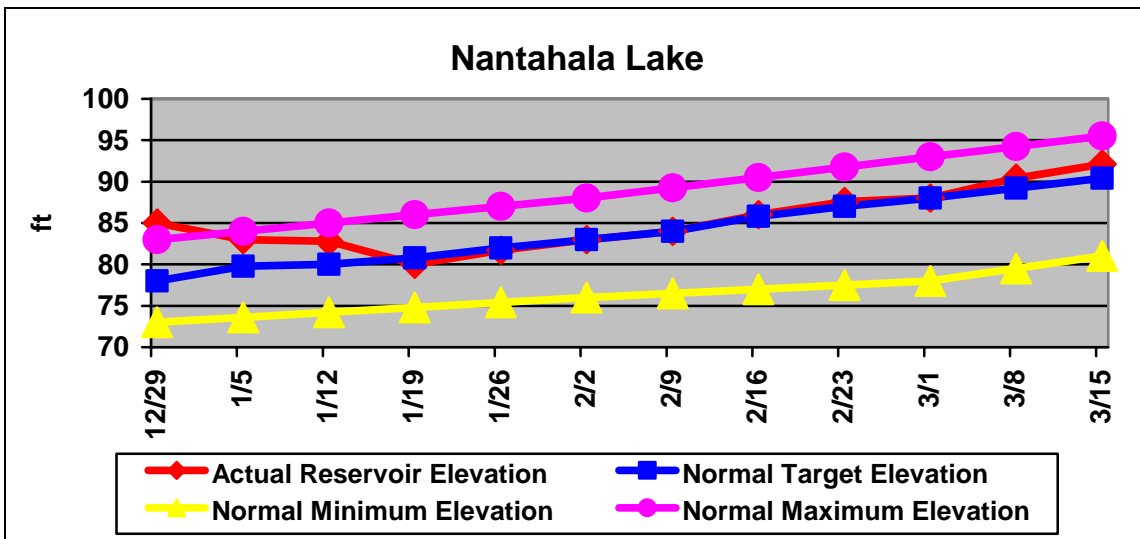


Normal Full Pond Elevation = 100.0 ft = 3491.7 ft (USGS datum)

Nantahala Lake

| Month | Normal Minimum Elevation (ft) | Normal Target Elevation (ft) | Normal Maximum Elevation (ft) |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Jan ² | 73 | 78 | 83 |
| Feb ² | 76 | 83 | 88 |
| Mar ² | 78 | 88 | 93 |
| Apr ² | 85 | 93 | 98 |

²The elevations in the above table are for the first day of month and other days are calculated by interpolation on each table.



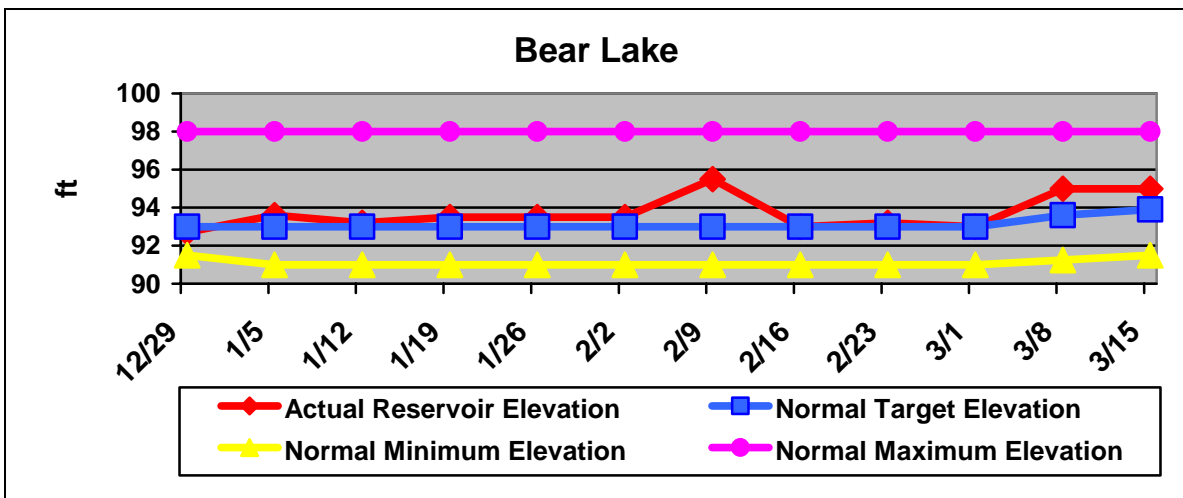
Normal Full Pond Elevation = 100.0 ft = 3012.2 ft (USGS datum)

DPNA Update to TCST and NCST Members – March 2004

Bear Lake

| Month | Normal Minimum Elevation (ft) | Normal Target Elevation (ft) | Normal Maximum Elevation (ft) |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Jan ² | 91 | 93 | 98 |
| Feb ² | 91 | 93 | 98 |
| Mar ² | 91 | 93 | 98 |
| Apr ² | 92 | 95 | 98 |

²The elevations in the above table are for the first day of month and other days are calculated by interpolation on each table.



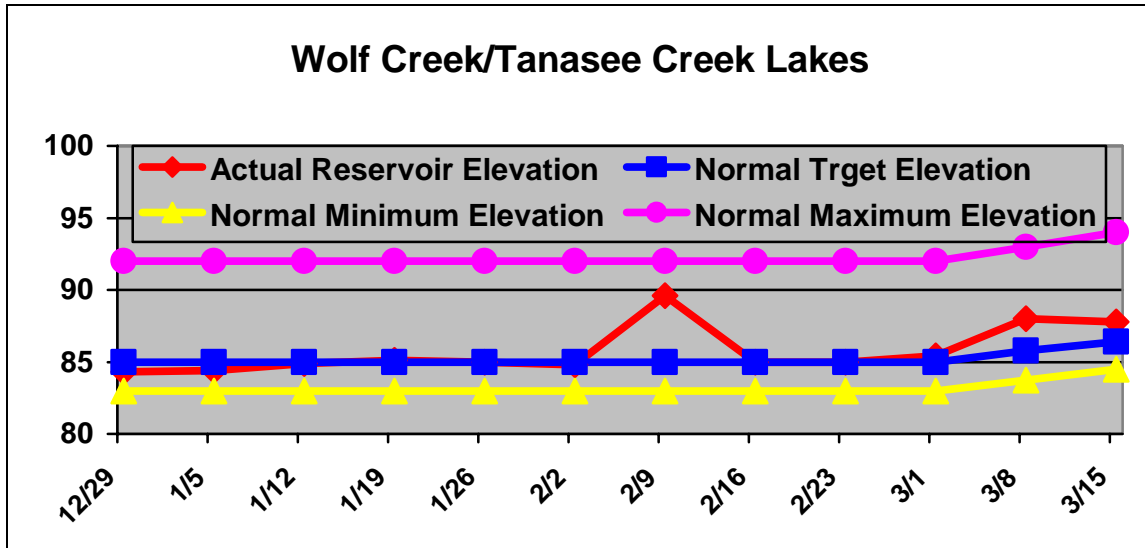
Normal Full Pond Elevation = 100.0 ft = 2560.0 ft (USGS datum)

Wolf Creek/Tanasee Creek Lakes

| Month | Normal Minimum Elevation (ft) | Normal Target Elevation (ft) | Normal Maximum Elevation (ft) |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Jan ² | 83 | 85 | 92 |
| Feb ² | 83 | 85 | 92 |
| Mar ² | 83 | 85 | 92 |
| Apr ² | 86 | 88 | 96 |

²The elevations in the above table are for the first day of month and other days are calculated by interpolation on each table.

DPNA Update to TCST and NCST Members – March 2004



Normal Full Pond Elevation = 100.0 ft = 3080.0 ft (USGS datum)

Miscellaneous Topics

1. Discussions with Organizations that Didn't Sign the Settlement Agreements - DPNA, the Jackson County Manager, Jackson County Soil & Water Conservation and the Western North Carolina Alliance met on Friday, March 19 to continue exploring opportunities that could potentially resolve the groups' outstanding issues. The meeting was facilitated by Donley Hill and Steve Reed and a follow-up meeting is planned for April. If we are able to identify any promising options for adding some of these organizations as new signatories to either settlement agreement, we will certainly inform and meet with all the parties to the applicable agreement(s) to determine if any of the identified options would be acceptable to the existing signatory parties. Duke Power also met with American Rivers this past week to discuss Catawba-Wateree Project Relicensing as well as Dillsboro Dam Removal. American Rivers supports the removal of Dillsboro Dam and will lend its expertise in the development of the Dillsboro Dam Removal EA/BA.
2. Request from a Party to Withdraw – Recall that Ken Dingler (Cedar Cliff Lake and Bear Creek Lake Property Owner Representative) asked in late 2003 to withdraw as a signatory party to the TCST Settlement Agreement. DPNA continues to feel strongly that conditions necessary to allow withdrawal as noted in the TCST Settlement Agreement have not been met and we are exercising our right to arbitrate Mr. Dingler's request. Since Steve Smutko opted not to serve as the arbitrator, DPNA has petitioned the American Arbitration Association and we expect the assignment any day now of an arbitrator.

DPNA Update to TCST and NCST Members – March 2004

3. Recreation facilities will be constructed – Each hydro project will get new recreation facilities and/or existing facilities will be enhanced. The recreation facilities enhancements will be completed on the dates specified by the Settlement Agreements. A complete summary of the location of these recreational enhancements is located on page 10 of this report.
 - a. Reservoir access area enhancements include: paving or upgrading boat ramps and parking areas; adding access area lighting, toilets and trash collection; installing bank fishing areas; improving signage and information brochures; installing barrier free docks at suitable locations; installing wildlife viewing platforms at some reservoirs; building primitive camping sites at three reservoirs and adding a public swimming area at Lake Glenville.
 - b. River recreational enhancements include: constructing ten public boat launch/takeout sites with parking areas; portage around four dams; two hiking trails and bank fishing areas and two river viewing platforms. DPNA will also lease or convey property around Nantahala Powerhouse to the USFS for access area improvements and the development of parking areas.

4. Tuckasegee Main Stem Access Areas – DPNA has been unable thus far to secure locations for the construction of access areas in the Barkers Creek, Catch and Release, and Whittier sections of the main stem of the Tuckasegee River. The Tuckasegee Water and Sewer Authority denied our request to locate an access area on their property located above the Dillsboro Reservoir. An alternate site for the Whittier access area that is located approximately three miles downstream of Whittier is being reviewed. Any help with securing sites to locate access areas at the three mentioned locations would be appreciated.

5. Post-Submittal Application Review Process & Milestone Schedule

License applications for the Bryson, Dillsboro, Franklin and Mission Projects and the East Fork, West Fork and the Nantahala Projects have been filed with the FERC. Since the FERC requires the original plus eight copies in a filing, approximately twelve tons of paper were filed with the FERC for the seven license applications. The 401 Water Quality Certification applications have been filed with the NC Division of Water Quality for all seven projects. See page 11 for a flow chart showing the FERC post-submittal application process steps. The draft Dillsboro Project License Surrender application and the Dillsboro Dam Removal EA/BA will be available for review April 9, 2004. The application to surrender the license for the Dillsboro

DPNA Update to TCST and NCST Members – March 2004

Project will be filed with the FERC on June 1, 2004. The following table is a schedule for upcoming DPNA relicensing milestones.

| Milestone | Mission | Franklin | Bryson | Dillsboro | East Fork | West Fork | Nantahala |
|----------------------------------------|----------|----------|----------|-------------------|-------------------|-------------------|-----------|
| Submittal | 7/03 | 7/03 | 7/03 | 7/03 | 1/04 | 1/04 | 2/04 |
| Additional Information Requests | Complete | Complete | Complete | Complete | 3/04 ³ | 3/04 ³ | 3/04 |
| Scoping Meetings | Complete | Complete | Complete | Complete | 7/04 ³ | 7/04 ³ | 7/04 |
| Additional Information Request | 4/04 | 4/04 | 4/04 | 4/04 | 9/04 ³ | 9/04 ³ | 9/04 |
| Draft EA | 2/05 | 2/05 | 2/05 | 2/05 ⁴ | 4/05 ³ | 4/05 ³ | 4/05 |
| Final EA | 5/05 | 5/05 | 5/05 | 5/05 ⁴ | 7/05 ³ | 7/05 ³ | 7/05 |
| Final Licenses Issued | 8/05 | 8/05 | 8/05 | 8/05 ⁴ | 1/06 | 1/06 | 2/06 |

³The schedule is estimated based on the FERC schedule provided for the Nantahala Project and the four small projects.

⁴The EA and Final License issuances for Dillsboro Relicensing would obviously not be needed if the FERC approves Dillsboro Dam removal.

6. Many different numbers concerning the percentage of the stakeholders that signed the Consensus Agreement(s) and didn't sign the Settlement Agreement(s) have appeared in the local newspapers. See pages 12-13 for a listing of organizations that signed the Consensus Agreement(s) but didn't sign the Settlement Agreement(s). Hopefully a review of these pages will help clear up some of the confusion.

If you have questions concerning anything in this update, please call me at 828-369-4604.

Sincerely,

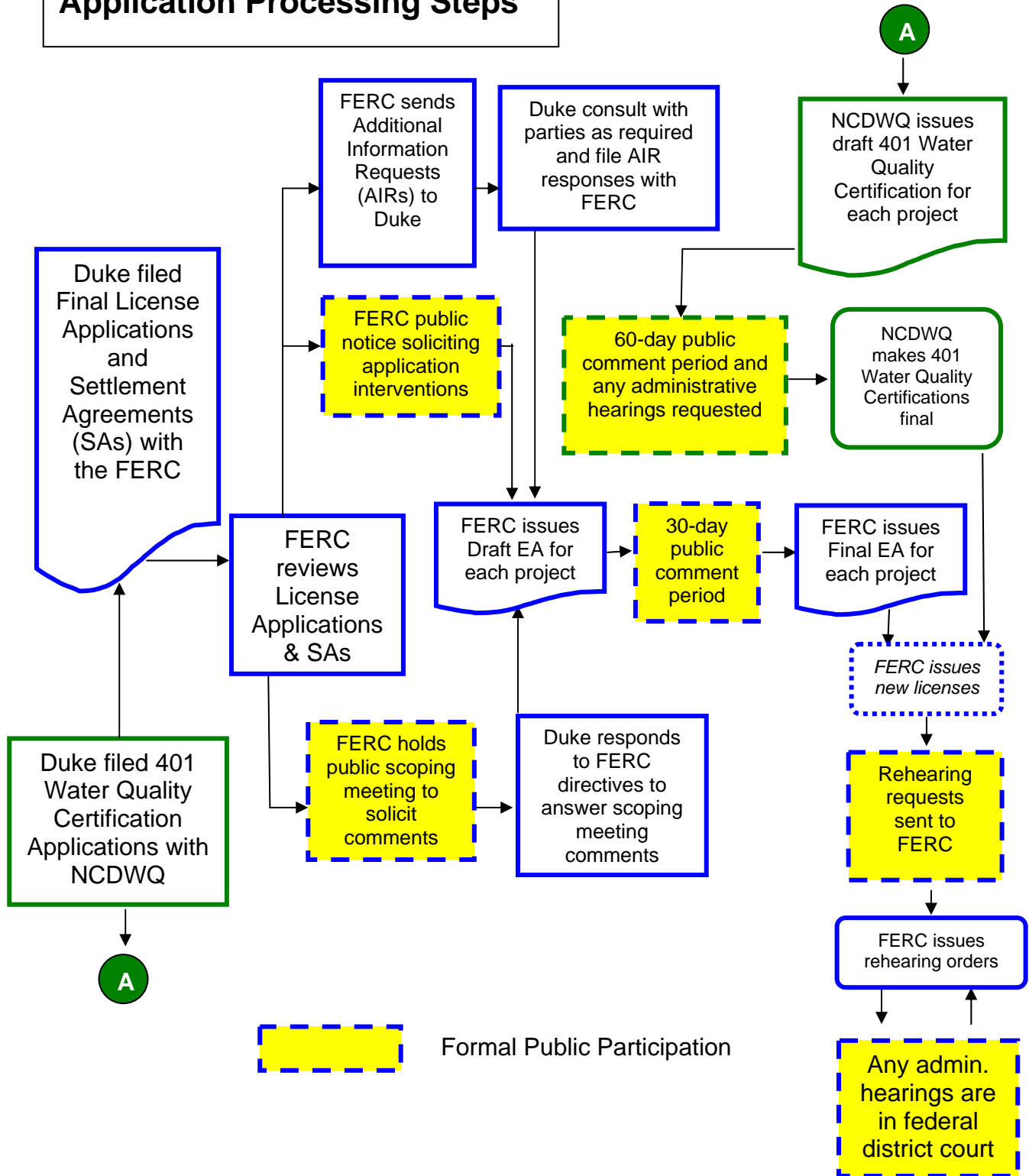
John

DPNA Update to TCST and NCST Members – March 2004

Duke Power Nantahala Area Recreational Enhancements Summary

| DPNA Lake Enhancements | | Pave | Upgrade | Lighting | Pump & Haul Toilets | Bank Fishing Area | Trash Collection | Barrier Free Dock | Primitive Camping Sites | Wildlife Viewing Platform | Signage & Information Brochure | Public Swimming Area | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------|---------------------------------|-----------------|----------------------|---------------------|-------------------|-------------------|--------------------------------|---------------------------|--------------------------------|----------------------|--|---|
| Project | Activity | | | | | | | | | | | | | |
| Nantahala Lake | Big Choga Access Area | X | X | X | X | X | X | | | | X | | | |
| Nantahala Lake | Rocky Branch Access Area | X | X | X | X | X | X | | | | X | | | |
| Nantahala Lake | Reservoir Enhancements | | | | | | | | X | X | | | | |
| Lake Glenville | Pine Creek Access Area | AP* | X | X | X | X | X | X | | | X | | | |
| Lake Glenville | Powerhouse Access Area | AP* | X | X | X | X | X | X | | | X | | | |
| Lake Glenville | Reservoir Enhancements | | | | | | | | | X | | X | | |
| Cedar Cliff lake | Access Area | | | X | | | X | | | | X | | | |
| Cedar Cliff lake | Reservoir Enhancements | | | | | | | | | X | | | | |
| Bear Creek Lake | Access Area | X | X | X | X | X | X | X | | | X | | | |
| Bear Creek Lake | Reservoir Enhancements | | | | | | | | X | X | | | | |
| Wolf Creek lake | Access Area | | X | X | X | | X | X not B/F** | | | X | | | |
| Wolf Creek lake | Reservoir Enhancements | | | | | | | | X | X | | | | |
| Tanassee Crek Lake | Tote & Float Access | | X | | | | | | | | X | | | |
| Tanassee Crek Lake | USFS Day Use Area | | X | | | | X | | | | | | | |
| Tanassee Crek Lake | Reservoir Enhancements | | | | | | | | | X | | | | |
| AP* = Already Paved | | | | | | | | | | | | | | |
| B/F** = Not Barrier Free | | | | | | | | | | | | | | |
| DPNA River and Bypass Enhancements | | Construct a Public Boat Launch/Takeout | Construct a Gravel Parking Area | Provide Portage | Provide Hiking Trail | Provide Staff Gages | Rec Flow Releases | Bank Fishing Area | Signage & Information Brochure | Access trail to water | Viewing Platform | Barrier Free Access | | |
| River | Activity | | | | | | | | | | | | | |
| Tuckasegee River | Cedar Cliff Powerhouse AA | X | X | | | | | | | | | | | |
| Tuckasegee River | Tuck Powerhouse boat launch | X | X | | | | | | | | | | | |
| Tuckasegee River | East Laporte Access Area | X | X | | | | | | | | | | | |
| Tuckasegee River | CullowheeDam AA | | | | | X | | | | | | | | |
| Tuckasegee River | Delayed harvest boat launch | X | X | | | | | | | | | | | |
| Tuckasegee River | Barkers Ck AA | X | X | | | | | | | | | | | |
| Tuckasegee River | Whittier boat launch | X | X | | | | | | | | | | | |
| Tuckasegee River | Lake Glenville Bypass | | | | | X | X | X | | | | | | |
| Tuckasegee River | Boaters & Anglers in Mainstem | | | | | | X | | | | | | | |
| Tuckasegee River | Glenville Bypass & Tk. Lake | X | X | | | | | X | X | X | X | | | |
| Nantahala River | ADA fishing access at plant | | | | | | | X | | | | | | X |
| Nantahala River | Improve parking at Cascades | | | X (2 areas) | | | | | | | X | X | | |
| Nantahala River | Improve parking at Slot Falls | | | X | | | | | | | | | | |
| Nantahala River | Improve parking at Cocktail Falls | | | X | | | | | | | | | | |
| Nantahala River | Improve parking at Whiteoak Creek | | | X | | | | | X | | | | | |
| Nantahala River | Bypass Reach | | | | | | X | | | | | | | |
| Nantahala River | Boaters & Anglers in Mainstem | | | | | | X | | | | | | | |
| Nantahala River | USFS lease-Commercial Site | | | | | | | | X | | | | | |
| Nantahala River | USFS lease-Rowlands Creek AA | | | | | | | | X | | | | | |
| Tuckasegee River | Wolf Creek Bypass | | | | | X | | | | | | X | | |
| Hiwassee River | Mission Reservoir | | X | | X | X | | | | | | | | |
| Little Tennessee | Franklin Reservoir | | X | | X | X | | | | X | | | | |
| Oconaluftee River | Bryson Reservoir - Enhancements to be implemented when EBCI decides to allow boating on Tribal Waters | | X | | X | X | | | | | | | | |

Post-Submittal Application Processing Steps



DPNA Update to TCST and NCST Members – March 2004

| Organization | Signed Consensus Agreement(s)? (Note 1) | Signed Settlement Agreement(s)? (Note 2) |
|---------------------------------------------------------|------------------------------------------------|-------------------------------------------------|
| American Rivers | 1 | |
| American Whitewater Affiliation | 1 | 1 |
| Bear Creek Lake & Cedar Cliff Lake Residents | 1 | 1 |
| Big Choga HOA | 1 | 1 |
| Carolina Canoe Club | 1 | 1 |
| Dillsboro River Company | 1 | 1 |
| Duke Power | 1 | 1 |
| Eastern Band of Cherokee Indians | 1 | 1 |
| Fenley Forest Residents HOA | 1 | |
| Friends of Lake Glenville | 1 | |
| Glenshore Club | 1 | |
| Glenville Community Development Club | 1 | |
| Jackson County Government | 1 | |
| Jackson County Planning & Economic Development | 1 | |
| Jackson County Soil & Water Conservation District | 1 | |
| Mountain Shadows HOA | 1 | 1 |
| Nantahala Community | 1 | 1 |
| Nantahala Gorge Association | 1 | 1 |
| Nantahala Highlands Estates Property Owners Association | 1 | 1 |
| Nantahala Outdoor Center | 1 | 1 |
| Nantahala Racing Club | 1 | 1 |
| Nantahala Volunteer Fire & Rescue Dept. | 1 | |
| Natural Resources Conservation Service | 1 | 1 |
| NC Division of Parks & Recreation | 1 | 1 |
| NC Division of Water Quality | 1 | 1 |
| NC Division of Water Resources | 1 | 1 |
| NC Wildlife Federation | 1 | 1 |
| NC Wildlife Resources Commission | 1 | 1 |
| Signal Ridge Marina | 1 | 1 |
| Southwestern NC Resource Conservation & Development | 1 | 1 |
| Swain County Economic Development Commission | 1 | 1 |
| Swain County Government | 1 | 1 |

DPNA Update to TCST and NCST Members – March 2004

| Organization | Signed Consensus Agreement(s)? (Note 1) | Signed Settlement Agreement(s)? (Note 2) |
|---------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------|
| Swain County Soil & Water Conservation District | 1 | 1 |
| Tater Knob HOA | 1 | |
| Town of Dillsboro | 1 | 1 |
| Town of Sylva | 1 | 1 |
| Town of Webster | 1 | |
| Trout Unlimited | 1 | 1 |
| Tuckasegee Gorge Association | 1 | 1 |
| US Fish & Wildlife Service | 1 | 1 |
| US Forest Service | 1 | 1 |
| Watershed Assoc. of the Tuckasegee River | 1 | |
| Western NC Alliance | 1 | |
| Wolf Lake Property Owners' Assoc. | 1 | |
| Totals | 44 | 30 |
| | | |
| % of Organizations that signed the Settlement Agreement(s) = | 30 of 44 = | 68% |

Notes:

- 1) Each signatory indicated on the Consensus Agreement(s) if they agreed in consensus with the entire agreement(s), agreed in consensus with Major Reservations or did not agree with the Consensus Agreement(s).
- 2) By signing the Settlement Agreement(s), each signatory entered into a contract on behalf of their organization that supports the Settlement Agreement(s).