

May 27, 2003

To: Individuals and organizations interested in Duke Power relicensing

From: John Wishon, Duke Power-Nantahala Area Relicensing Project Manager, 301 NP&L Loop, Franklin, NC 28734, 828-369-4604, FAX 828-321-3535, jcwishon@duke-energy.com

RE: DUKE POWER-NANTAHALA AREA HYDRO RELICENSING UPDATE #5:

All studies and stakeholder negotiations completed, consensus agreements for Nantahala and Tuckasegee Cooperative Stakeholder Teams signed, replying to comments received on small plant license applications with Final Application to FERC by July 2003, and developing license applications for the Tuckasegee and Nantahala River projects

Thank you for your continued interest in Duke Power – Nantahala Area hydro relicensing. Your cooperation and your level of interest have been great and continue to help keep us on schedule. We ask for your continued support as we move into preparing the settlement agreements with the Tuckasegee and Nantahala Cooperative Stakeholder Teams, finalizing the small plant applications, and developing the license applications for the Nantahala and Tuckasegee Projects. The FERC deadlines are absolute so we must keep the process moving forward. Duke Power is looking forward to continuing our work together in the spirit of cooperation and respect for the interests of each stakeholder that we've grown to appreciate.

1. Background.

Since the last update Duke Power employees worked with the Technical Leadership Teams (TLTs) to finalize all relicensing studies (www.nantahalapower.com) and to present the critical information from the last studies to the Nantahala and Tuckasegee Cooperative Stakeholder Teams. These last studies involved the aquatic resources, recreational use and needs, and water quality areas of work. With all the studies finished both teams could

get down to the job of working towards consensus agreements that would balance the interests of all the groups involved in this intensive and extensive process.

2. Draft Applications for Bryson, Dillsboro, Franklin, and Mission Projects.

Duke Power employees and the TLT's also finished the studies for the relicensing of the small hydropower plants (Bryson, Dillsboro, Franklin, Mission). The draft applications to FERC were written and distributed to all interested parties in January 2003. Comments and issues brought forward on these projects are currently being discussed and resolved with the relevant interest groups so that the official License Applications can be sent to FERC by July of 2003. FERC will then evaluate the application through a NEPA process that is open to public participation. Notices concerning the process will be sent to all parties who have participated so far or have asked to be included, as well as to newspapers in our area. New licenses could be issued in July 2005 if the NEPA process proceeds in a timely manner and issues are resolved during that time period.

3. Consensus Agreements with the Nantahala and Tuckasegee Cooperative Stakeholder Teams.

The two teams took about a year and a half to understand the natural resources and power requirements in the river basins and another year and a half to analyze (through CHEOPS modeling) and discuss comprehensive trial balloons brought forward by Duke Power and specific issue trial balloons brought by other interest groups. Early in 2003 the two stakeholder teams were ready to meet their goal of negotiating consensus agreements. After many drafts, many long meetings of each group, many long meetings of a combined group (to bring forward recommendations on issues of interest to both groups), a lot of principled negotiation, and many long nights rewriting and copying the drafts, the final product was in hand. On May 16, 2003 the two teams gathered to have final

discussions and sign the Consensus Agreements finally agreed to by each team (www.nantahalapower.com for the full consensus agreement document). Those groups and individuals signing with full agreement of the document anticipate signing a legally binding settlement agreement in September 2003, after a summer of refining consensus agreement details into more formal contract language. This Settlement Agreements will be incorporated into the Draft Applications for the Nantahala, East Fork, and West Fork Projects that will be sent to FERC in January, 2004.

Highlights of the Consensus Agreement include:

- Maintain lake levels, including a target range and low-flow protocols, to benefit public recreation and fish habitat.
- Maintain generation schedules and new access areas to benefit public fishing, rafting and boating on the Nantahala and Tuckasegee Rivers.
- Support minimum flows in certain stretches of the Nantahala and Tuckasegee Rivers to improve aquatic species habitat.
- Support recreational flows in certain stretches of the Nantahala and Tuckasegee Rivers to support boating recreation.
- Develop a formal process to provide special flows for major water-related competitive events.
- Possibly remove Dillsboro Dam and powerhouse to increase unimpeded habitat for 11 miles in the Tuckasegee River.
- Implement improved generation and lake level information via toll-free call or website.
- Continue on-going strategic planning work and assistance to the Town of Dillsboro.
- Reactivate appropriate USGS river gages to provide real-time flow information.
- Provide funding support for selected soil and water conservation efforts and riparian habitat initiatives in counties with hydropower projects.

- Create wildlife viewing platforms, a public swimming area, and new fishing trails.
- Make significant improvements to existing public recreation areas around Duke Power reservoirs and provide partnership funding support for expanded recreational opportunities.
- Expand the partnership between Duke Power and the US Forest Service to substantially improve whitewater boating access on the Nantahala River.
- Provide/make available additional land for conservation purposes.
- Improve shoreline management and lake use permitting guidelines.
- Continue the use of existing hydroelectric generating projects to supply the area with low-cost renewable electric power.

Signers supporting the agreement represent (Agencies) US Forest Service, US Fish & Wildlife Service, US Natural Resources Conservation and Development Service, NC Department of Water Resources, NC Department of Water Quality, NC Wildlife Resources Commission, NC Division of Parks and Recreation, (Local Government/Agencies) Eastern Band of the Cherokee Indians, Swain County, Town of Dillsboro, Town of Sylva, Jackson County Soil and Water Conservation District, (State and National Organizations) NC Wildlife Federation, Carolina Canoe Club, American Whitewater, (Local Organizations) Nantahala Community Club, Glenville Community Club, Friends of Lake Glenville, Fenley Forest Residents Association, Glenshore Homeowners Association, Tater Knob Homeowners Association, Jackson County Chapter of Trout Unlimited, Nantahala Gorge Association, Tuckasegee Outfitters Association, Nantahala Racing Club, Mountain Shadows Homeowners Association, Nantahala Highlands Estates, Big Choga Homeowners Association, Wolf Lake Homeowners Association, and Duke Power.

4. Draft Applications for Nantahala, East Fork, and West Fork Projects.

Draft applications (including the Consensus Agreements) will be available to all interested parties in July 2003. FERC will then evaluate the applications through a NEPA process that is open to public participation. Notices concerning the process will be sent to all parties who have participated so far or have asked to be included, as well as to newspapers in our area. New licenses could be issued in January 2006 if the NEPA process proceeds in a timely manner and issues are resolved during that time period.