APPENDIX B

CORRESPONDENCE LETTERS

City of Henderson

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Henderson, NC 27536
ryoung@ci.henderson.nc.us
Phone: 252/431-6007 Fax: 252/492-4322

Robert G. Young, Jr.
Mayor

January 13, 2000

Action: TS
CF: DE
DP
TS-O
DX
OC

Colonel James W. Delony
District Engineer
U.S. Army Corps of Engineers
Wilmington District
P.O. Box 1890
Wilmington, NC 28402-1890

Re: Request to Enter into an Agreement with the Corps of Engineers to purchase Water Supply Storage Space in John H. Kerr Reservoir (Ref. letter of December 14, 1999 from Mr. Ben F. Wood to Dr. Michael J. MacPhee)

Dear Colonel Delony:

Pursuant to the December 14, 1999 letter from Mr. Ben F. Wood, the **City of Henderson, NC hereby officially indicates its desire to enter into an agreement with the Corps of Engineers** to purchase water supply storage space in John H. Kerr Reservoir. As you know, the City currently has a contract with the U.S. Government to withdraw up to 20 mgd from that reservoir. Although this contract was originally intended to be temporary when it was executed in February 1974, it has not been replaced and will expire in February 2004.

As Mr. Wood requested in his recent letter, the City is pleased to provide the desired withdrawal rate in millions of gallons per day, as well as the projected timeframe for incremental withdrawals. Fortunately, Environmental Engineering & Technology, Inc. (EE&T) has recently completed a 30-year Water Master Plan for the City and the Kerr Lake Regional Water System (KLRWS) that contains this information. The Master Planning Work was very detailed and should provide all of the data needed by the Wilmington Office to begin the reallocation study.

Based on the enclosed supporting documentation from the Master Plan, the **City of Henderson seeks a storage contract for 20 mgd**, consistent with the projected timeframe for incremental withdrawals according to the following:

Year	Projected Average Withdrawal Rate (mgd)
2002	8.0
2004	8.9
2006	10.1

Year	Projected Average Withdrawal Rate (mgd)
2008	10.9
2010	11.6
2015	12.3
2020	12.9
2025	13.6
2030	14.2

EE&T have projected that the KLRWS will need to be withdrawing about 14 mgd by 2030. Since it is very difficult to project water demands this far into the future, and because unexpected growth areas for the KLRWS could easily develop during this timeframe, EE&T has advised the City of Henderson to apply a safety factor to the projected 30-year demand. Therefore, the City wished to use 20 mgd as the requested ultimate withdrawal rate. When convenient, we can discuss how this safety factor could be applied to the incremental withdrawal projections, presumably for 2020 and beyond.

The demands in the above table are the average daily production requirements and actual withdrawals are about 10 percent higher. We are providing average day withdrawal figures rather than maximum day withdrawal figures on the advice of Mr. Linwood Rogers of the COE.

The City would appreciate if required storage volumes and associated costs could be provided in increments of 5 mgd from 15 mgd to 30 mgd. This request is consistent with earlier conversations with Mr. Linwood Rogers of the Wilmington COE.

We wish to thank the Corps of Engineers for their attention to this very important matter and trust that the enclosed information is sufficiently detailed. Please continue to work with EE&T during the coming months as needed and feel free to contact our City Manager, Mr. Eric Williams, should you require any further assistance. We look forward to successfully reaching an agreement with the Corps to secure this most vital resource for our citizens far into the future.

Sincerely,

Robert G. Young, Jr.
Mayor

RGY/pg
Enclosure
C: Eric M. Williams, City Manager
Mark R. Warren, Assistant City Manager
David Cornwell, EE&T
Michael J. MacPhee, EE&T
Mick Hicks, KLRW Director

WATER WITHDRAWAL RATE PROJECTION
SUPPORTING DOCUMENTATION

Environmental Engineering & Technology, Inc. completed a Water Master Plan for the City of Henderson and the Kerr Lake Regional Water System (KLRWS) in March, 1999. (The KLRWS is a Partnership between the City of Henderson, the City of Oxford, and Warren County with the City of Henderson as the majority owner and managing Partner.) A central focus of that effort was detailed projections of future water demands using two different methodologies called Method 1 and Method 2. The first method is based on population growth and is typically used by governmental bodies and most other entities for water demand projections. EE&T also used a second method that is more complete because it factors in other sources of demand that are not captured by considering population growth alone.

For the Method 1 procedure, populations of the service area are projected into the future and then a water usage value is applied to the population. Future industrial or commercial use may be estimated separately, or assumed to be included in the per capita usage multiplier when specific industrial and commercial use figures are not available. The second primary method for estimating future water demands is to project historical water demands, thereby assuming that the future water demand growth is the same as the historical. For the KLRWS study, EE&T used both procedures and reconciled the differences that the two methods produced to develop an overall estimate of future demands.

The KLRWS is complicated by the fact that not all of the population centers are served with water. Therefore, for Method 1 not only does population need to be projected into the future, but also the percent of that population to be served by municipal water. This is particularly important for Warren County, which currently serves only 10 to 15 percent of its population with water but is planning on providing water service to 80 percent of the County within ten years. The Warren County expansion plan has been accounted for in Methods 1 and 2. Both demand projection methods also included the near-term increased demands that will be contributed by adding Franklin County to the KLRWS distribution network in early 2000. These two additions are responsible for the sharp growth in demands anticipated over the next decade in particular.

Because the Method 1 projections do not account for any expansion in service connections beyond those known presently and because they ignore industrial and commercial demands, Method 2 demands should be used to estimate future water supply and treatment needs. Table 1 summarizes the demand projections by Methods 1 and 2. Appendix Table 1 shows the detailed projections by Partner entity for Method 2, which is the key set of data used to assess future water demands. Note that maximum day demands (MDD) are the critical numbers for planning purposes since a water supplier must always be able to meet peak demands.

Table 1

Summary of demand projection methods

	Average (mgd)		Maximum (mgd)	
	Method 1 population projection	Method 2 demand projection	Method 1 population projection	Method 2 demand projection
2004	8.3	8.9	11.6	12.6
2010	10.5	11.6	14.3	16.0
2020	11.1	12.9	15.1	17.9
2030	11.7	14.2	16.0	19.8

A comparison of Method 1 and 2 projections is shown in Figure 1. For the next ten-year planning period, the average day demand (ADD) is about 1 mgd different between the two methods, and about 1.5 to 2.0 mgd different for the MDD. These values are well within planning purpose ranges, and provide a good indication of water demands over the next ten years. Moving into the long range, the two methods separate somewhat, although they are still within 20 percent.

Since the COE bases water storage needs on average day demand values, EE&T recommends that the Method 2 30-year projected ADD of 14 mgd be used. Projections this far into the future are approximated using the best available information, and in this case factoring in historical trends as well as known system expansion plans. EE&T suggests that a safety factor of 6 mgd be added,

bringing the total projected 30-year ADD demand to 20 mgd. Therefore, a 20 mgd withdrawal rate should be used for computing storage requirements.

Appendix Table 1

Demand projections based on projection of historical demands (Method 2)

	ADD: Average day demand (mgd)							MDD: Maximum day demand (mgd)						
Year	KLRWS without Franklin and Warren Districts 1-5	Oxford	Henderson	Warren County	Warren County with Districts 1-5	Franklin County	KLRWS with Franklin and Warren Districts 1-5	KLRWS without Franklin and Warren Districts 1-5	Oxford	Henderson	Warren County	Warren County with Districts 1-5	Franklin County	KLRWS with Franklin and Warren Districts 1-5
	Historical	Historical	Historical	Historical				Historical	Historical	Historical	Historical			
1990	3.762	1.096	2.217	0.449				5.780	1.644	3.326	0.674			
1991	3.928	1.103	2.356	0.469				6.467	1.655	3.354	0.704			
1992	3.785	1.102	3.345	0.453				5.987	1.653	3.345	0.680			
1993	4.316	1.258	3.896	0.461				7.109	1.887	3.896	0.692			
1994	4.754	1.439	4.187	0.524				7.720	2.159	4.187	0.786			
1995	4.569	1.453	3.837	0.558				7.624	2.180	3.837	0.837			
1996	4.275	1.515	3.252	0.592				6.019	2.273	3.252	0.888			
1997	4.614	1.333	3.981	0.627				6.283	2.000	3.981	0.941			
	Projected	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*	*Projected*
1998	*4.812*	*1.553*	*2.623*	*0.637*	*0.443*		*5.256*	*7.218*	*2.330*	*3.935*	*0.955*	*0.665*		*7.883*
2000	*5.062*	*1.671*	*2.702*	*0.690*	*0.905*	*0.5*	*6.467*	*7.593*	*2.507*	*4.052*	*1.035*	*1.358*	*0.5*	*9.451*
2002	*5.312*	*1.789*	*2.780*	*0.743*	*1.366*	*1.0*	*7.678*	*7.968*	*2.684*	*4.170*	*1.115*	*2.049*	*1.0*	*11.016*
2004	*5.562*	*1.906*	*2.859*	*0.796*	*1.832*	*1.5*	*8.893*	*8.342*	*2.861*	*4.288*	*1.195*	*2.748*	*1.5*	*12.590*
2006	*5.811*	*2.024*	*2.937*	*0.850*	*2.303*	*2.0*	*10.115*	*8.717*	*3.038*	*4.405*	*1.274*	*3.455*	*2.0*	*14.172*
2008	*6.061*	*2.142*	*3.016*	*0.903*	*2.317*	*2.5*	*10.878*	*9.091*	*3.215*	*4.523*	*1.354*	*3.475*	*2.5*	*15.067*
2010	*6.311*	*2.260*	*3.094*	*0.956*	*2.331*	*3.0*	*11.641*	*9.466*	*3.392*	*4.641*	*1.434*	*3.496*	*3.0*	*15.962*

Appendix Table 1 (Continued)

	ADD: Average day demand (mgd)						MDD: Maximum day demand (mgd)						
Year	KLRWS without Franklin and Warren Districts 1-5	Oxford	Henderson	Warren County	Warren County with Districts 1-5	Franklin County	KLRWS with Franklin and Warren Districts 1-5	KLRWS without Franklin and Warren Districts 1-5	Oxford	Henderson	Warren County	Warren County with Districts 1-5	Franklin County	KLRWS with Franklin and Warren Districts 1-5
2015	*6.935*	*2.555*	*3.290*	*1.090*	*2.346*	*3.0*	*12.281*	*10.403*	*3.835*	*4.935*	*1.634*	*3.519*	*3.0*	*16.922*
2020	*7.559*	*2.850*	*3.487*	*1.223*	*2.362*	*3.0*	*12.921*	*11.339*	*4.277*	*5.229*	*1.833*	*3.543*	*3.0*	*17.882*
2025	*8.184*	*3.145*	*3.683*	*1.356*	*2.377*	*3.0*	*13.561*	*12.276*	*4.720*	*5.523*	*2.033*	*3.566*	*3.0*	*18.842*
2030	*8.808*	*3.440*	*3.879*	*1.490*	*2.393*	*3.0*	*14.201*	*13.212*	*5.162*	*5.817*	*2.233*	*3.590*	*3.0*	*19.802*

Notes:

1. KLRWS (without Franklin County or Warren County Districts 1-5) average day demands are projected based on a linear regression of the historical average day demand from 1990 through 1997. The corresponding maximum day demands are projected by multiplying the projected average day demands by the PF of 1.5.
2. The proposed sale of 3 mgd to Franklin County by Henderson was introduced at 0.5 mgd in 2000 and increased by 0.25 mgd/year reaching the total 3 mgd in the year 2010. This is the maximum demand allowed by contract, so a peaking factor of 1.0 was used (i.e., no peaking)
3. Warren County District 1-5 average day demand projections are the projected populations added in Districts 1-5 multiplied by the PCD of 169 gpcd. The corresponding maximum day demands are projected by multiplying the projected average day demands by the PF of 1.5.
4. KLRWS (with Franklin County and Warren County Districts 1-5) projected average day demands are the sum of the projected average day demands of the KLRWS (without Franklin County and Warren County Districts 1-5), Franklin County, and Warren County Districts 1-5. The corresponding maximum day demands are projected by multiplying the projected average day demands by the PF of 1.5.
5. Numbers in italics are projections.
6. All historical data is from the KLRWS. The annual date are averages based on the average and maximum flow data received from KLRWS.

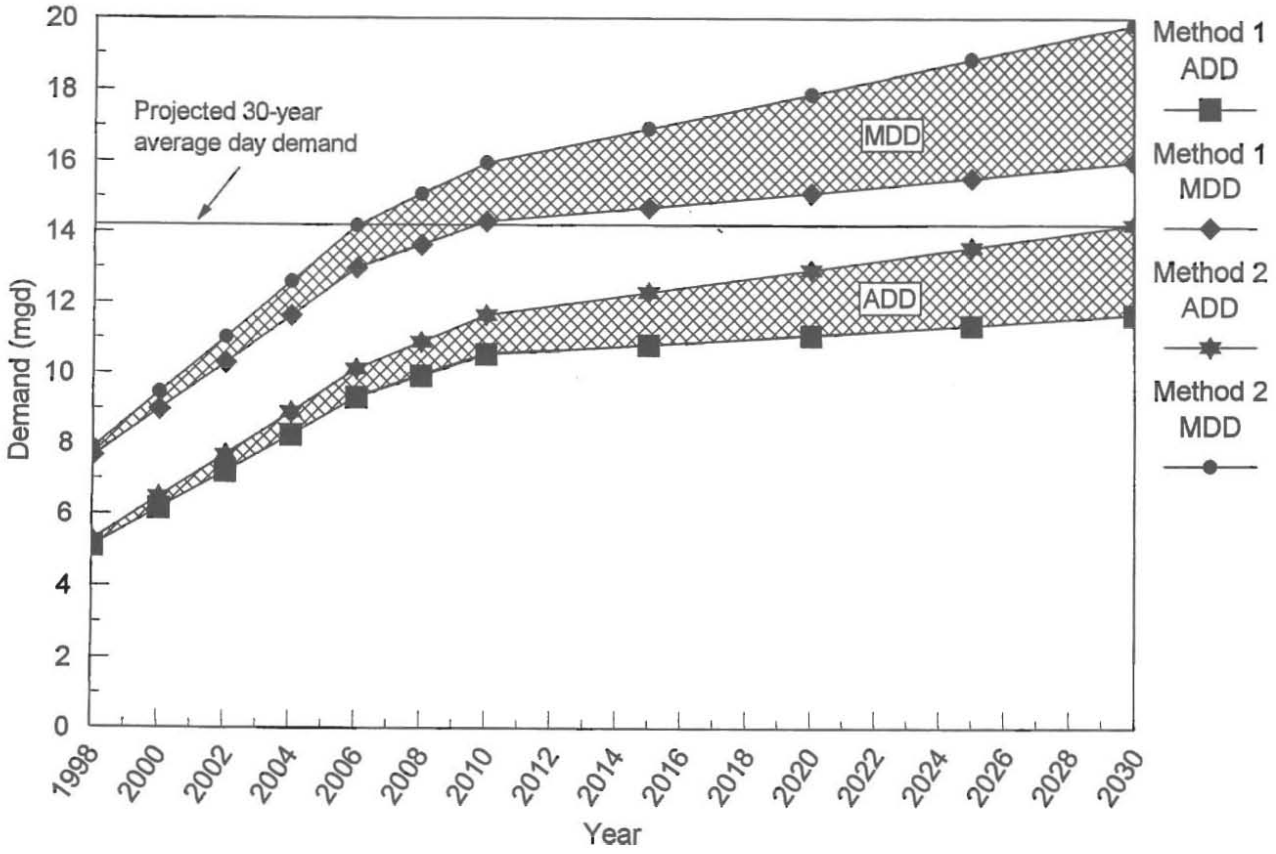

Figure 1 Comparison of demand projections by Methods 1 and 2

City of Henderson

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Office of
City Manager
Eric M. Williams

October 11th, 2000

Mr. Tom Brawner, Executive Director
Roanoke River Basin Association
c/o 1100 Lamp Post Lane
Greensboro, North Carolina 27410

Re: ***Your Letter and Request of September 22nd***

Dear Mr. Brawner:

Please be advised your subject letter (return copy attached for reference) was shared with the City Council at their September 25th Regular Meeting, however, that particular meeting was extremely crowded with already scheduled agenda items and adjournment occurred at around midnight. Consequently, no discussion occurred relevant to your communication. However, since you've copied me with it, I will take some prerogative in initially communicating to you ... at the onset let me advise no particular reply has been directed by the City Council, so I'm doing so with regard to my own personal thoughts and professional responsibilities and because I believe professional protocol and courtesy suggest some reply, at least an initial one, which I hope this will provide.

I believe everyone in the City understands the purposes and objectives of the RRBA and the City's organization has been involved with the Association for a number of years. Frankly, given that prior association, I was somewhat taken off guard (and this is my personal opinion and may or may not be shared by the City Council) by the apparent confrontational tone of the letter. In fact, within a day or two after the news article appeared reporting on the Council's discussions at their September 11th meeting, I personally spoke by phone to Ms. Nancy Wilson indicating to her that the Council's discussions and actions that night had to do, most basically, with reviewing the appropriate management, organizational and other structures at the Kerr Lake Regional Water Plant, and with respect to the Kerr Lake Regional Water System, rather than focusing on decisions about selling water to others, whether they be inside the Basin or out. As you well know, some of the other areas you have sited are, indeed, looking at us, Kerr Lake and perhaps other sources in the RRBA with respect to their own water planning responsibilities. I might mention we are staying as informed as possible about those discussions in an effort to see where they may be heading. On both a personal and professional level, I also take exception that the City's relationship with the consulting firm of Environmental Engineering & Technology, Inc. (EE&T, who I might add have extensive credentials, especially in the area of water issues) would ever be used as "political cover" with respect to the selling of Roanoke River Basin water from Kerr Lake to anyone, either inside or outside the Basin. We initially engaged EE&T, and continue that relationship today, to assist in gathering factual data, presenting information respecting both the pros and cons of any issue we've asked them to study and to provide appropriate technical expertise in areas of water demand, supply and associated issues. However, the City Council of the City of Henderson render the decisions and I can assure you they do so fully recognizing not only the concerns you've expressed, but also fully respecting and exercising all due diligence in

their responsibilities as the managing and principal partner of the Kerr Lake Regional Water Plant/System, as they are fully aware of its significance and the precious commodity it helps provide.

All this being said, I'm pleased to provide you a copy of the "Master Plan Phase III Scope of Services" which was recently authorized (at the September 11th Council Meeting you have noted) for your information. With respect to your broader "NC Public Law" request, I would suggest you confer directly with both our City Attorney John Zollicoffer, who in turn can coordinate with Assistant Manager for Utility Operations, Mark Warren ... and to the extent the information you are requesting is relevant they will be most happy to accommodate you or, better yet, I'd suggest visiting with us and we will simply let you review everything in our files relevant to the issues of concern to you and you may pick and choose what to copy.

Regarding future public meeting/discussions on matters such as this your points of contact can be:

- City Clerk Dianne White (direct line: 252/431-6005) regarding Council Meeting agendas (***Special Note:*** We have just started placing copies of the Council agendas on the City's web site, which you can access at: www.ci.henderson.nc.us or
- Assistant Manager Mark Warren (direct line: 252/431-6040) with respect to any scheduled meetings of standing Council Committees when topics of this nature might be reviewed
- City Attorney John Zollicoffer (direct line: 252/438-4134)

I trust this initial reply (which, again, I want to emphasize was neither directed by or reviewed with the City Council in advance ... therefore, please consider it as both my personal and professional opinion only) adequately addresses some of your concerns.

Very truly yours,

CITY OF HENDERSON

Eric M. Williams
City Manager

EMW/dew/Attachment
C: (w/attachments)
Mayor Young & Henderson City Council
US Senator Jesse Helms
US Senator John Edwards
US Congresswoman Eva Clayton
NC State Senator Allen Wellons
NC State Representative James Crawford, Jr.
NC State Representative Stan Fox
Colonel James DeLony, US Army Corps of Engineers
David A. Cornwell, EE&T
Michael J., MacPhee, EE&T
Mark Warren, Henderson Asst. Manager
John H. Zollicoffer, Jr., Henderson City Atty.
Dianne White, Henderson City Clerk
Michael Hicks, KLRWP Director
Frank Frazier, Henderson City Engineer
Bryce Mendenhall, Henderson Util. Op. Director
Nancy Wilson, Vance County Tourism/RRBA

Roanoke River Basin Association

RRBA Address: P.O. Box 27, Gasburg, VA 23857 *www.rrba.org*

Please reply to:
Tom Brawner, Executive Director
1100 Lamp Post Lane, Greensboro, NC 27410
(336) 294-0744 (phone & fax) • *tbrawner@rrba.org*

September 22, 2000

Henderson City Council
P.O. Box 1434
Henderson, NC 27536

Dear Members of the Henderson City Council:

The Roanoke River Basin Association (RRBA) is deeply troubled by the City of Henderson's September 11 decision to study the possibility of adding partners to the Kerr Lake Regional Water System (KLRWS). Our concern is heightened by three factors: (1) the current study underway by Raleigh, Durham and Cary to consider the feasibility of tapping water from Kerr Lake, (2) the recent effort by Franklin County to obtain authority from the City of Henderson to sell Roanoke River Basin water to the Town of Wake Forest, and (3) the personal and professional stake of your consultant, EE&T – which did the design work to upgrade KLRWS facilities and increase KLRWS's rated capacity -- in recommending additional users for the KLRWS without regard to watershed boundaries. Given these three factors, it will come as no surprise when EE&T recommends that KLRWS sell Roanoke River Basin water to supply communities in other basins. And when EE&T makes such a recommendation, the City of Henderson will have political cover to sell Roanoke River Basin water to communities such as Raleigh, Durham, Cary and Wake Forest. RRBA strongly objects to any such transfers.

RRBA has sacrificed innumerable dollars and volunteer hours in defending this basin against interbasin transfers, an effort that the City of Henderson has generally supported. Many others in the basin have contributed time and money, and continue to do so, in order to preserve the basin's precious water resources for in-basin, riparian use. It would be a stunning blow to the greater Roanoke River Basin community if the City of Henderson were to sacrifice the time-honored doctrine of riparian rights simply to improve the bottom-line of the City and KLRWS. In so doing, the City of Henderson would be subordinating the best interests of its watershed neighbors in order to advance the policies of uncontrolled growth that pervade many of the out-of basin communities south of Henderson. RRBA urges the City of Henderson not to aid and abet these future "Virginia Beaches."

This whole idea that Roanoke River Basin water can be sold outside the basin is disturbing. When it sells water outside the basin, the City of Henderson is harming other water users within the Roanoke River Basin. Towns, industry, farmers and others in the lower Roanoke will feel the effect of lower river flows. What portion of your revenues will be used to compensate them for their loss? Will some of your revenues subsidize the recreational economy at Kerr Lake when it struggles against the drought conditions and low lake levels of 1998 and 1999? How much money will go to the interests at upstream Philpott Lake when that project has to make up for lost hydropower opportunities at Kerr? How many industries will the basin have to turn away because the water just isn't there?

We can only hope that when the City of Henderson is faced with the decision, it will have the character to preserve the riparian rights of the greater Roanoke River Basin community and reject any further interbasin transfers of water.

In the meantime, please notify us of any public meeting involving the City of Henderson or KLRWS in which the prospect of transferring water out of the Roanoke River Basin is to be considered or discussed. Further, under the North Carolina Public Records Law, RRBA requests a copy of any and all documentation (including correspondence, letters, memoranda, maps, proposals, pamphlets and the like) generated within the last year between the City of Henderson and EE&T on the subject of the possibility of adding other partners to KLRWS, including a copy of the EE&T proposal considered at your September 11 City Council meeting. RRBA will incur whatever per item copying cost the accounting office for the City of Henderson reasonably determines represents your actual cost.

Very truly yours,

Tom Brawner

Tom Brawner
Executive Director

cc: Senator Jesse Helms
Senator John Edwards
Congresswoman Eva Clayton
N.C. State Senator Allen W. Wellons
N.C. State Representative James W. Crawford, Jr.
N.C. State Representative Stan Fox
Colonel James W. Delony, District Engineer, U.S. Army Corps of Engineers
Mayor R.G. Young, City of Henderson
City Manager Eric Williams, City of Henderson
City Attorney John H. Zollicoffer, Jr., City of Henderson

MASTER PLAN PHASE III

DRAFT SCOPE OF SERVICES

KERR LAKE REGIONAL WATER SYSTEM

Phase III of the Water Master Plan was proposed by EE&T in late 1997 to address specific issues and concerns related to overall management of the Kerr Lake Regional Water System (KLRWS) and distribution water quality as it relates to future system expansion. Recent meetings with City of Henderson staff and Utility Council have modified the emphasis of the proposed work to focus on system organization alternatives.

The need to consider different approaches to organization of the KLRWS has intensified in recent weeks and months as potential new bulk water customers have made their interest for additional water resources known. Thus far, no formal requests for water have been received by the City or KLRWS (beyond Franklin County), but an important near-term concern is how such requests would be handled. Furthermore, there is currently no mechanism for adding a new System Partner if that were of interest to either the KLRWS or a potential new customer.

Based on these and other issues facing the KLRWS and the City of Henderson, EE&T proposes the following scope of services:

1. Meet with the KLRWS partners to review the Scope of Services and develop a project plan.

2. Assist the City/System in identifying a qualified attorney to render legal opinions concerning alternative system organizational structures.

3. Conduct a survey of existing water system management structures in North Carolina for utilities serving more than 10,000 persons.

4. Assist the City/System in obtaining existing contractual agreements for selected utilities around the State based on the findings in (3) and consultation with City/System staff.

5. Identify and describe appropriate alternative arrangements for administration and management of the System. Address the issue of implications on personnel in the transition to an alternative arrangement using available information gathered from the water supply organizations identified in (6).

6. Organize and meet with officials of up to four (4) selected North Carolina water supply organizations of interest to the City and the KLRWS.

7. Review existing contractual arrangements for the organizational structures under consideration by the City/KLRWS and identify related responsibilities and liabilities in each case. (Note that actual legal opinions will be rendered as an optional service using the attorney or firm identified in (2).)

8. Review rate, billing, and payment structures for those alternative structures of interest. Describe implications to the System/Partners.

9. Meet with the State and/or review applicable North Carolina statutes with respect to laws governing water system organization (actual legal opinions will be obtained as an optional service).

10. Provide a generalized description of how new customers or partners could be accommodated under each alternative management structure.

11. Meet with City Council, System Partners, and City/KLRWS staff (two meetings) prior to report submittal to keep these groups apprised of progress and obtain feedback.

12. At the conclusion of the work, provide a draft final report to the client and present the findings at a meeting. Make modifications to the report as required.

The final product of the work will be a summary of viable alternative organizational structures for the System, as well as the pros and cons of each. The information will be presented in a format that will allow the City/System to determine the best alternative, or maintain the existing arrangement, if desired. Input from the legal expert will be incorporated into the EE&T report as one cohesive document.

At the recent meeting with City/System staff and Utility Council, a specific request was made to include optional services to be used only upon specific authorization by the client. Optional services include:

- $ All costs associated with legal council, including EE&T time and expenses.
- $ Time and expenses associated with meeting officials from the State or other organizations beyond those proposed in (1), (6), and (11).
- $ Expenses associated with travel required in (6).
- $ Continuing consultations as requested.
- $ Assessment of financial implications to City/System/Partners of the alternative structure chosen.
- $ Assessment of water quality and regulatory implications of alternatives.
- $ Development of an implementation plan for the selected alternative organization structure.
- $ If appropriate, provide descriptions for and potential advantages and disadvantages of organization structures utilized outside the State of North Carolina.

- $ Help develop a strategy for a system approach to expansion and new customers versus an individual Partner approach to expansion (which is dependent upon selection of an alternative).

The basic Scope of Services presented was carefully developed by EE&T staff recognizing the budgetary limitation of $30,000. Costs for optional services will be developed on an as directed basis.

As part of the Phase III Master Planning effort, the System and City should begin the process of obtaining a new interbasin transfer (IBT) certificate immediately. This recommendation was made by EE&T in the Phase I and II Master Plan Report (March 1999) and in the Master Plan Update (April 2000) and is deemed critical if any expansion of the System is being considered. Should the System and City decide to proceed with a plant expansion to 20 mgd, documentation showing that negotiations on obtaining a new IBT certificate have begun will be important for expediting State approval of the proposed expansion. EE&T proposes to handle the IBT negotiation in a similar fashion to that used in obtaining the grandfathered IBT certificate where charges are based on a per diem plus expenses basis.

City of Henderson

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Robert G. Young, Jr.
Mayor

November 7th, 2000

Colonel James W. Delony, District Engineer
U.S. Army Corps of Engineers
Wilmington District
P.O. Box 1890
Wilmington, NC 28402-1890

Dear Colonel Delony:

As you are no doubt aware, members of the City of Henderson staff and our consulting firm, Environmental Engineering & Technology, Inc., have been working with your staff since late 1999 on a new water supply contract for Kerr Lake. Since that time, Mr. Terry Brown and his group have provided a preliminary cost for storage, based on a proportional percentage of the cost for project replacement. However, a definitive study on the Lost Benefits Due to Hydropower by the Portland, Oregon Office is still pending.

Based on recent discussions with Mr. Brown, we understand that the document expected from the Portland Office will be substantially delayed for several reasons. This timing, coupled with the fact that the project replacement cost is typically higher than the other cost alternatives, leads us to suggest that we should move ahead with discussions with you on the ultimate cost of storage for the City of Henderson. (If the replacement cost is not the highest of the alternatives, we can make adjustments later as necessary.) Our letter to you of January 3, 2000 contains the requested storage cost figures by withdrawal rate.

The City believes that a dialogue should begin now since there are some outstanding issues that must be considered before assigning a cost of storage. As these discussions unfold, our consultants (in collaboration with our professional Staff) will be in a position to elaborate on these further. Accordingly, this letter is simply intended to let you know that we are ready to move to the next step in the process.

We wish to thank Mr. Brown, Mr. Rogers, Mr. Piner, and other individuals at the Wilmington Office for their cooperation and input thus far. They have been a pleasure to work with. We certainly look forward to obtaining a water supply agreement in the near future. Please do not hesitate to contact us (or our principal contact on this matter with EE&T Dr. Michael MacPhee, phone: 575/873-1534) when such meetings can begin. Thank you for your continuing cooperation and assistance in this critical matter.

Sincerely,

Robert G. Young, Jr.

Robert G. Young, Jr.
Mayor

RGY,JR/dew

C: Henderson City Council
Mr. Terry Brown
Mr. Linwood Rogers
Mr. Allen Piner
Mr. Eric Williams
Mr. Mark Warren
Mr. Mike Hicks
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Water System: KLRWS

Source Basin: ROANOKE

Receiving Basin(s): TAR, NEUSE

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Water Balance Table - Average Daily Values [1,2]

Year	Water System	Withdrawal from Source	Consumptive Loss [3]			Waterwater Discharge			Total Return to Source Basin	Total Interbasin Transfer [4] ROANOKE to TAR	Total Interbasin Transfer [4] ROANOKE to NEUSE	Total Interbasin Transfer [4] ROANOKE
			Source Basin	Receiving Basin [4]	Receiving Basin [4]	Source Basin	Receiving Basin [4]	Receiving Basin [4]				
		ROANOKE	ROANOKE	TAR	NEUSE	ROANOKE	TAR	NEUSE	ROANOKE			
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)=(D)+(G)	(K)=(C)-(J)-(F)-(I)	(L)=(C)-(J)-(E)-(H)	(M)=(K)+(L)
1992	KLRWS	4.99	0.27	0.62	0.00	1.70	1.25	0.00	1.97	1.87	0.00	1.87
1997	KLRWS	5.07	0.17	0.92	0.00	2.33	1.21	0.00	2.50	2.13	0.00	2.13
2002	KLRWS	5.89	0.39	1.71	0.07	1.98	1.64	0.00	2.37	3.35	0.07	3.42
2010	KLRWS	10.19	1.05	3.44	0.28	2.11	3.31	0.00	3.16	6.75	0.28	7.03
2020	KLRWS	15.88	1.66	5.23	0.47	2.15	6.37	0.00	3.81	11.60	0.47	12.07
2030	KLRWS	20.97	2.19	6.34	0.76	2.35	9.33	0.00	4.54	15.67	0.76	16.43
2035	KLRWS	24.19	2.42	7.10	0.80	2.44	11.43	0.00	4.86	18.53	0.80	19.33

[1] All numbers are expressed in million gallons per day (MGD) rounded to two decimal places.

[2] Complete the table for both average and maximum daily demands.

[3] Consumptive losses include all water use that is not directly discharged into a receiving stream, such as landscape irrigation and septic systems.

[4] If there is more than one receiving basin, add additional columns for each basin.