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REGIONAL RESOURCE STEWARDSHIP COUNCIL MEETING

OCTOBER 9, 2008

VOLUME I OF II

LOCATION:

TENNESSEE VALLEY AUTHORITY
400 WEST SUMMIT HILL DRIVE
KNOXVILLE, TENNESSEE 37902

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MEMBERS OF THE REGIONAL RESOURCE STEWARDSHIP COUNCIL

MS. JOANNE LAVENDER (FACILITATOR)

MR. TOM LITTLEPAGE (COUNCIL CHAIR)

MR. KENNETH RAY DARNELL

MRS. JEAN KELLEMS ELMORE

MR. BILL FORSYTH

MR. MICHAEL GOODMAN

MR. GEORGE KITCHENS

MR. W. C. NELSON, JR.

SENATOR ARTHUR ORR

MR. WES ROSENBALM

MR. ROY G. (JOE) SATTERFIELD, JR.

MR. RUSSELL TOWNSEND

MR. THOMAS R. VORHOLT

MS. CAROL DOSS

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TENNESSEE VALLEY AUTHORITY DESIGNATED FEDERAL OFFICER

MS. ANDA A. RAY, DFO
SENIOR VICE PRESIDENT, OE&R
TENNESSEE VALLEY AUTHORITY
400 WEST SUMMIT HILL DRIVE
KNOXVILLE, TENNESSEE 37902

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P R O C E E D I N G S

COUNCIL CHAIR MR. TOM LITTLEPAGE: All right. Welcome. It's good to see everybody back again. It has been awhile. I think there's a couple of folks who were not here at March meeting. So why don't we begin, and, Mike, maybe start with you, and we will just go around and do quick introductions of your name and what organization or group you're representing, and then we will begin to get into the agenda.

So do you want to go ahead and start?

MR. MIKE GOODMAN: I'm Goodman. I work for Temple Inland, but I'm representing the direct-serve customers.

SENATOR ARTHUR ORR: I'm Arthur Orr from Alabama and a member of the Alabama Senate.

MR. JOE SATTERFIELD: Joe Satterfield. I'm the general manager of Blue Ridge Mountain EMC, Young Harris, Georgia. We serve three counties in Georgia and two in North Carolina and a TVA distributor.

22 MR. CAROL DOSS: I'm Carol Doss, and
23 I'm from Virginia. I'm the coordinator for the Upper
24 Tennessee River Round Table and To Keep Southwest
25 Virginia Beautiful.

5

1 MR. W. C. NELSON: I'm W. C. Nelson
2 from Blairsville, Georgia. I represent Georgia and
3 also the Union County Development Authority.

4 MRS. JEAN ELMORE: I'm Jean Elmore. I
5 represent Mississippi.

6 MR. GEORGE KITCHENS: George Kitchens,
7 general manager at Joe Wheeler EMC. We serve two
8 counties in North Alabama, a TVA distributor.

9 MR. KENNY DARNELL: Kenny Darnell from
10 Murray, Kentucky. I represent the Common Wealth of
11 Kentucky.

12 MR. BILL FORSYTH: Bill Forsyth from
13 Murphy, North Carolina. I'm chairman of Murphy
14 Electric Power Board and a municipal distributor, but
15 I'm here to represent North Carolina.

16 MR. WES ROSENBALM: Wes Rosenbalm,
17 Bristol, Virginia utility serving Southwest Virginia
18 and representing the distributors.

19 DFO MS. ANDA RAY: Anda Ray with TVA,
20 and I lead up the office of Environment and Research.

21 COUNCIL CHAIR MR. TOM LITTLEPAGE: And
22 I'm Tom Littlepage with the Alabama Office of Water
23 Resources and also involved with the Tennessee Valley
24 Water Supply Partnership, a group of the seven TVA
25 states and TVA looking at water issues and water
1 supply issues. 6

2 FACILITATOR JOANN LAVENDER: I'm JoAnn
3 Lavender. I'm with TVA and I will be facilitating
4 today and tomorrow.

5 MR. JOHN MYERS: John Myers,
6 Environmental Policy, TVA.

7 MR. GREG SINGER: I'm Greg Singer with
8 the Office of General Counsel.

9 MS. KELLY LOVE: Kelly Love with the
10 Office of General Counsel.

11 MS. REBECCA TOLENE: Rebecca Tolene
12 with the Office of the General Counsel.

13 MS. BUFF CROSBY: Buff Crosby. I'm
14 not with the Office of the General Counsel. I'm with
15 the Office of Environment and Research.

16 MS. VICKIE ELLIS: Vickie Ellis,
17 Office of Environment and Research with TVA.

18 MR. JERRY FOUST: I'm Jerry Foust and
19 I'm with the stewardship policy program.

20 MR. JOEL HADEN: Joel Haden, Office of
21 Environmental and Research.

22 MR. TOM ELMORE: Tom Elmore. I'm
23 Jean's driver.

24 MR. DON ANDERSON: I'm Don Anderson,
25 Office of Environment and Research, Stewardship
1 Program. 7

2 MR. WES JAMES: I'm Wes James with the
3 stewardship programs of TVA. Thank you.

4 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
5 right. I think that's everybody. I guess we get to
6 officially welcome you, Anda, as our Designated
7 Federal Officer.

8 DFO MS. ANDA RAY: Thank you.

9 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
10 right. So welcome aboard. Any questions? You
11 should have the agenda in front of you. We're doing
12 something a little different in this meeting where
13 we're going to go on a field trip. So that will be
14 something we haven't done recently.

15 So does anybody have any questions on
16 the agenda or any comments they want to make before
17 we get started?

18 Okay. Go ahead.

19 DFO MS. ANDA RAY: I just wanted to
20 take a couple of minutes to tell you some of the
21 things that have happened since we met last. First
22 of all, we're truly glad that you're here. And
23 you'll notice that it's a different agenda. We're
24 going to look at some violations and encroachments
25 and some activities that are going on out in the
1 Valley. 8

2 As you know in facing a lot of your
3 own works with more and more people and more and more
4 demands on the resources, we're seeing a whole lot
5 more violations and encroachments on the public land.
6 Correcting those is difficult because do you know
7 that TVA hasn't litigated, if I am correct, in about
8 20 years on violation encroachments?

9 So when somebody has been doing
10 something wrong for long periods of time, they pretty
11 much think that it's okay to be doing it. So we have
12 a public issue, a political issue, and clearly an
13 economic issue, and that's why we're needing your
14 input on this today. It's not because we're out to
15 get certain people, but we need you to help because
16 we have a long multi-year issue going on.

17 But before I do that, I want to kind

18 of give you an update on -- many of you have gotten a
19 letter from Bridgette Ellis, and she has now retired
20 after 30 years of dedicated service to the
21 stewardship function of TVA. Unlike me, she kept a
22 job, I've bounced around the whole company, but she
23 stayed there for 30 years and dedicated her whole
24 life to that. We're really sorely going to miss her,
25 but I have her cell phone number and her home phone
1 and her husband's number and we know how to get her⁹
2 if we need some history or some background.

3 And then Peyton is not here today. I
4 did want to thank him. He served as your Designated
5 Federal Official for the past two years. What you
6 may not know behind the scenes is he was establishing
7 during that same period of time a TVA ombudsman role,
8 and maybe some of your organizations have them.

9 There was a lot of, hum, how is this
10 going to work at TVA, and it's actually working very
11 well. He's in a very interesting position to be able
12 to provide the public with that objective view and at
13 the same time not make the organizations feel like
14 he's taking over their responsibilities. So Peyton
15 has had a really difficult role and I think he's done
16 a great job over this past couple of years.

17 On the Board level, the TVA wide
18 level, you-all have served in some very interesting
19 times. Your two-year term has covered the time when
20 TVA went through a major board governess change from
21 the three full-time to the seven part -- to the nine
22 part-time. We currently have seven on staff right
23 now part-time Board members who probably don't think
24 it's really a part-time job with as much time as it's
25 taking them. We have two vacancies. One is actually
1 in the works right now. With seven we can operate. ¹⁰

2 The Board this past six months
3 restructured all of their Board committees because
4 they had to work with seven people and we were spread
5 over too thin. So they have four committees now.
6 The one that looks at this one is called Community
7 Relations and Energy Efficiency, and they are
8 probably the primary outward looking board committee.

9 On that committee we have got Mr. Don
10 DePriest, who is actually the chairman. He's from
11 Alabama. We've got Denny Bottorff from Nashville.
12 You've got Tom Gilliland from Blairsville. You've
13 got Bishop Graves from Memphis. So you have got
14 those four people who are the ones that we report to
15 as far as some of the information that you have come

16 up with and the recommendations and then they take
17 that to the full Board. So that's the committee
18 that's kind of overseeing this.

19 In the past year this committee has
20 recommended the environmental policy, which you're
21 going to get to hear a little bit more from John
22 Myers, and your input was very, very important. I
23 know that there was a lot of concern about, well, is
24 it really going to get heard, did you spend enough
25 time on the natural resources, and you will see that
1 two of the six areas deal with land and water,¹¹
2 actually three, land and water resources. So I think
3 that was a tremendous amount of influence that this
4 group had in advising the TVA Board.

5 They did ask me to express their
6 appreciation to you. They were not here personally
7 but they -- we took all of your comments down that
8 Kim was typing and we took all of those to the Board
9 and that did significantly change how we looked at
10 dispersed recreation and regular recreation, if you
11 want to say it that way, commercial. You're going to
12 hear more about that today. So that's part of the
13 feedback to you.

14 We have also done, since we met last

15 time, a significant amount of restructuring. I want
16 to caution that every time somebody new comes in our
17 organization they always want to put their
18 fingerprints on it, and that's not what I did. What
19 I did was listen to all the employees. We spent
20 months and months going around to every employee,
21 because you and I both know that they know what's
22 going on at the ground level.

23 They know where the problems are in
24 the processes. In fact, it was a little bit
25 overwhelming to think of all the great ideas that
1 they had. So we've had some significant
2 restructuring. 12

3 The new head of Land and Water
4 Resources is Ron Williams. Ron has many, many years
5 with TVA. He's been working a lot with the
6 environmental services, heads of the environmental
7 services organization and the research and
8 development.

9 He's actually -- his organization
10 actually has global environmental services, and we're
11 trying to pull back and refocus that to support TVA's
12 core business and not be overseas and doing some of
13 the homeland security work that we have been doing.

14 He's also -- in his past history with
15 TVA he had a conservation district staff from TVA in
16 over 40 staffs. So he's very familiar with the land
17 and water stewardships, has been on the job about
18 five weeks, and I am amazed at how much that Ron has
19 picked up. So we're really fortunate to have him
20 pick up that land and water stewardship activity.

21 Then we have set up, and you have met
22 Vickie before, the Stakeholder Relations group. Boy,
23 have I been blown away at what they have been able to
24 accomplish. Just last week we announced an
25 environmental information center, a 1-800 number. We
1 had multiple 1-800 numbers, multiple web sites. 13
2 She's still trying to find all the web sites and
3 consolidate them. This has opened up and we have
4 people on staff to cover both Eastern time and
5 Central time. We will get you some business cards if
6 they are not here already.

7 It's very interesting, the TVA
8 retirees helped us with a soft opening, but within
9 the first week, and we haven't even announced it yet,
10 we get a call from Justin Timberlake's office.
11 There's this cute 20-year-old that's answering this
12 phone and been through a lot of training and she's

13 like, "Am I on Candid Camera? Is this real?"

14 They were wanting to buy a golf course
15 and making it green, et cetera. So this is going to
16 be a real big help for us and you-all in helping us
17 to get out a consistent message across the company.
18 So we're really excited about that.

19 Vickie also handles the appeals and
20 violations. So a lot of the work you see today will
21 come out of Vickie's group. She also manages the
22 Regional Resource Stewardship Council.

23 I set up three specialized groups.
24 One was the programmatic, which you see Don back
25 there, the programmatic group to look at the
1 shoreline and the land policy and the water quality 14
2 and get a centralized group, not necessarily
3 geographically centralized, but a centralized head so
4 he could have some consistent standard approaches.

5 All of you-all that have worked with
6 us over the years know that sometimes things don't
7 always seem standard. I wish we could say it's
8 100 percent that way, but we're never going to get
9 there because there's always going to be one off.
10 It's an attempt to try to provide that kind of
11 guidance and in depth expert support to our staffs.

12 The other thing you-all know a lot
13 about is schedule and costs, right, project
14 management?

15 We have established a project
16 management group. We're encouraging all of them to
17 get certified by the Project Management Institute so
18 that we can run these complex projects for our
19 customers and for TVA in more of a scheduled
20 approach.

21 Right now we say, okay, we're going to
22 do this and here's how long the regulations say this
23 is going to take but we don't have it all integrated
24 and help us manage our resources a little bit better.

25 Then finally -- so now you're doing
1 all of that, how do you know you're doing any better?
2 Setting up an environmental and performance and
3 technology group. We have a performance group that's
4 going to look at our performance in land, air, and
5 water.

6 How are you doing with those
7 recreation projects? How are you doing with
8 dispersed recreation? How are you doing with your
9 air quality? How are you doing with your water
10 quality? How are you doing with water conservation?

11 So it's TVA's entire environmental performance, not
12 just the stewardship part.

13 Then we're also looking at technology.
14 I don't know if any of you have ever visited the
15 watershed offices, but when I ask for a map or
16 something they go, "Just a minute," and sometimes
17 they have to run back and look at some 30-year-old
18 deed.

19 Well, we are trying to get back closer
20 to the 21st Century. It takes a lot of money to get
21 up there from where we are, but we are scanning
22 records in electronically before we put them into the
23 Iron Mountain, which is the federal repository for
24 documents. So we're spending a lot of effort to try
25 to bring our technology up a little bit.

16

1 Now, do you want to know what the good
2 news is? We didn't add one headcount to do all of
3 that. We did it with efficiency improvements. So
4 the staff, the headcount -- the approved headcount is
5 actually less with all of those new functions than it
6 was before we started. So we're in the storming and
7 enorming (sic) phases of making sure we can get this
8 to work well, and I'm sure there will be a few
9 tweaks.

10 The last thing I want to say, we're
11 going to talk about you for a minute, is this
12 Council's term is for two years. Your two-year term
13 expires February 2009. We have taken -- in fact, the
14 CR -- the Communications Relations and Energy
15 Efficiency Committee is taking to the Board meeting
16 on October the 31st to approve extending this Charter
17 for another two years. So we will be in contact with
18 several -- with all of you over the next few months
19 to talk about the ongoing membership and what we will
20 be doing in the future.

21 So the August -- or the October 31st
22 meeting is where we expect there will be no issues
23 and that the Board will approve extending this
24 committee for another two years.

25 I do want to thank all of you. You
1 have in -- in this two years you have provided input¹⁷
2 to the new Board structure. You have provided input
3 to the TVA strategic plan which is guiding all of our
4 financial investments as well as our planning. You
5 provided input to the first ever TVA Environmental
6 Policy, and now you're going to help us on V&E after
7 20 years.

8 So you-all have had a very -- one of

9 the most active Regional Resource Stewardship Council
10 input. So we really, really appreciate that. With
11 that, I guess I am just going to -- if you don't have
12 any questions. Any questions? I am going to get
13 right into the environmental policy and let John talk
14 about it.

15 Thanks.

16 MR. JOHN MYERS: Well, good morning.
17 It's a pleasure to be here. This was entitled,
18 "Discussion with the Regional Resource Stewardship
19 Council on the Environmental Policy," and that's
20 really what it is. It's a continuation of the
21 dialogue that we had back in March as we -- as TVA
22 was -- came through strategic planning and the
23 recognized need of the Board to develop an
24 environmental policy, bringing the elements that are
25 germane to this Council to you for the robust
1 18 discussions that we had back in March, reviewing what
2 we heard, reviewing how it was -- how it's manifested
3 in the environmental policy, and then to recognize
4 that that's not where the conversation ends, that as
5 we were -- we listened to what you had said, a lot of
6 it you will see in the policy, a lot of it that we
7 heard you will see it more manifested in the

8 implementation and further discussions. So that's
9 what we wanted to do today.

10 Let's see. So what did we hear? We
11 tried to go out and listen and explain what we were
12 doing, explain what our objectives were, and then
13 listen to the public. We did that through a variety
14 of listening sessions, public comment periods. We
15 had town-hall meetings.

16 We had numerous one -- 40 one-on-one
17 meetings. We came down and even in the
18 non-governmental agencies, including FACA, which is
19 the Regional Resource Stewardship Council. So we
20 tried to throw the net pretty wide on the stakeholder
21 input.

22 What we came up with or what we heard
23 basically is -- and this was from the public at
24 large. We will get more into -- concretely into what
25 the Regional Resource Stewardship said, but from the
1 public at large we heard more emphasis on renewable
2 and cleaner energy portfolios, reduced emissions and
3 putting more control -- using more emission controls
4 and use of technology, reducing the thermal impacts
5 into receiving waters and reducing water consumption.

6 We also heard about reducing our waste

7 footprint. Then a lot of discussions -- there was a
8 lot of discussions about ecofriendly recreation on
9 public TVA lands and then developing a policy on
10 mineral rights. So those were kind of some themes
11 out of what we heard from the public.

12 What we ended up with was the
13 environmental policy, and we organized it in -- with
14 this chart. It maintains TVA's mission. At the core
15 of it is the TVA mission around providing energy, and
16 the way we describe that is cleaner, reliable, and
17 still affordable energy. Going back to the second
18 mission of TVA is sustainable economic development;
19 and thirdly, proactive environmental stewardship,
20 getting in front of it.

21 We looked at that and around the edges
22 are environmental dimensions, or as we say
23 environmental principal areas, and we divided up the
24 mission of TVA into those six areas. What we have
25 are climate change, improvements in air quality,
1 protection and improvement of water resources, waste
2 minimization, sustainable land use, and sound natural
3 resource management.

4 Now, certainly the charter of the
5 Regional Resource Stewardship group is to look at how

6 we provide stewardship to the Valley's resources.
7 Several of the areas of this policy really also get
8 into the generation and transmission of electrical
9 power, and those two things are connected.

10 So today what we thought we would do
11 is as you are to give advice and counsel and guidance
12 on how we are stewards of natural resources, we
13 thought we would step through the entire policy to
14 see how a lot of it connects because there are in
15 each of those dimensions ramifications for natural
16 resource management.

17 So with that climate change
18 mitigation. In climate change we incorporated a lot.
19 We looked at the challenges that were in front of us
20 on our carbon emissions and how we generate
21 electricity.

22 We look to setting up an environmental
23 objective on stopping the growth of emissions, and
24 that's on volume, tons, and to dramatically reduce
25 the rate of emissions in terms of the amount of
1 carbon per megawatt hour or per unit of energy
2 delivered.

21

3 That's the target that we have out
4 there is to hold emissions down, flatten those out,

5 which is not an easy task given a continuing need for
6 electrical growth, but then reducing the rate of
7 those emissions per unit of energy.

8 We all have seen the increase of
9 carbon emissions worldwide as we see over the years
10 where that has come from, and certainly total carbon
11 emissions have been increasing dramatically since the
12 late 1950s.

13 As we look on across our service area,
14 the TVA Valley service area, we have got a chart that
15 shows several things here. Let me try to explain it
16 a little bit.

17 What you see down as the gray stacked
18 bars, well, maybe it's not showing up as well as it
19 should, the gray stacked bars, if you can think about
20 those as steel and iron in the ground, that's TVA's
21 generation, that's our generating assets.

22 And as we have added some assets over
23 the years you will see the lines are both the peak
24 demand on the TVA system, and then also the red one
25 is peak plus reserves that we're required to maintain
22
1 for a reliable generation system.

2 You will see that those peaks are now
3 exceeding the generating assets of the TVA's

4 generating assets. We are filling that peak with
5 purchased power. Over the years we need, per the
6 strategic plan, to reduce that.

7 So several things are happening. One
8 is we have an active involvement in pulling down that
9 peak through energy efficiency and demand side
10 management to reduce the growth in that peak.

11 The second is as we see it -- still
12 see a gap between our generating assets and that
13 reduced load, but still a gap, is to fill that gap
14 with clean energy technologies, those technologies
15 that are low carbon or zero carbon.

16 Then the third aspect is on those
17 assets that we have there, the steel in the ground,
18 is to continue to improve the environmental
19 performance of those assets, to reduce their
20 environmental footprint.

21 So basically you can think about it
22 three ways as we look at climate change in that
23 context, reduce the demand that you see, fill the gap
24 with cleaner energy sources, and improve the
25 performance of your existing assets.

23

1 If we look at CO2 trends across the
2 TVA system you can see what we're talking about.

3 Tons has generally gone up, and we're looking to hold
4 that flat and then rate, and that is in tons per
5 megawatt hour, the amount of carbon per energy
6 reduced.

7 As we have been bringing on additional
8 nuclear capacity and lower carbon emitting sources
9 that rate has come down, and it will continue to come
10 down. Certainly in 2013 with the finishing of Watts
11 Bar 2, another base loaded non-emitting source that
12 will help that rate out.

13 We have looked on filling that gap in
14 energy between the gap of the demand and the
15 generating assets. We have been looking at filling
16 that gap with clean energy. We look in the context
17 of this policy of what that looks like, and we have
18 defined it as those energies with either zero carbon
19 emission rates or energy efficiency improvements.

20 Examples of those clean energy
21 resources are nuclear renewables, and we will get
22 into the definition of renewables, it does include
23 hydro, demand reduction and waste heat recovery,
24 those type of technologies.

25 Renewable energy, this has been
1 interesting as the country looks at bringing on

2 greater capacity of renewable energies. There's
3 numerous efforts in a variety of states, a variety of
4 regions, a variety of trade associations to define
5 renewables in multiple ways.

6 And when you look at the texture of
7 all of that it is -- it can be complex, that it's
8 included in somebody's bill but not this bill. We
9 backed up from that. We looked at renewable energy
10 and what is renewable energy, and it's just -- it is
11 that is sustainable and naturally replenished.

12 So we take a fairly simple definition
13 but a commonsense approach on renewable energy, that
14 it is naturally replenished. With that hydro is
15 there. Water power is a naturally replenished energy
16 source, wind, solar, biomass, and other sustainable
17 energy sources.

18 Could you back up one? I was a little
19 quick with the trigger there.

20 So let me go back on the -- kind of
21 the generation side of where I was going with our
22 generating assets. This is now in capacity, the
23 amount of generation that's -- the amount of
24 generating capacity that's out there, and right now
25 about 35 percent of that is with clean energy as we

1 have defined it of non-emitting or zero carbon
2 emitting sources.

3 As we add generation or clean energy
4 to that and subtract off the bottom the gains that we
5 will get through energy efficiency that we will be --
6 we are headed to a place out in time with 50 percent
7 of our generating capacity to be clean energy
8 sources. So that's the goal and that's the direction
9 that we're headed for the climate change endeavor.

10 I am going to move on to clean air.
11 When we look at clean air improvements we're talking
12 about continuing efforts to reduce SO₂, sulfur
13 dioxide; NO_x, nitrogen oxides, mercury and
14 particulate emissions. I think the emphasis might be
15 there on the front word of continued.

16 TVA has been a leader in making
17 reductions from -- of those emissions from utility
18 sources. We have installed controls earlier than a
19 lot of utilities, and we lead the region in the
20 installation and use of controlled technologies.

21 Just this year -- at the end of this
22 year we will probably have crossed the five billion
23 mark. Through 2007 we had spent \$4.8 billion on
24 emission controls. As we look at the closing the

25 fiscal year here just some weeks ago, we will get the
1 final accounting in to see, but I would see that we ²⁶
2 were in a position to say now that we have spent over
3 \$5 billion on emission controls.

4 As we try to describe where we have
5 spent that and show folks what we have done with that
6 on 11 plants scattered across three states with 59
7 coal fired units, it makes for a rather busy slide,
8 but this is where we have invested in those
9 technologies.

10 Those are scrubbing technologies where
11 we through gas desulfurization remove SO₂ from a coal
12 fired unit, selective catalytic reduction systems
13 that are state-of-the-art controls for nitrogen
14 oxides, and that the combination of those two can
15 reduce mercury emissions.

16 We have -- we have done a lot, and it
17 shows up on this map. I think one of the takeaways
18 from this map though is really that we have done --
19 we have made reductions at each and every plant.
20 Even plants that haven't been equipped with some of
21 the latest state-of-the-art controls certainly have
22 made other reductions with other technologies, low
23 NO_x burners, lower sulfur fuels, and a variety of

24 other activities.

25 So the summation of that expenditure,
1 has it made a difference? And certainly what you see²⁷
2 is on emissions from TVA's plants under years where
3 the generation has gone up to meet demand, we see
4 dramatic emission reductions on the TVA system.

5 Over from the '70s, late '70s, we have
6 seen over 83 percent reductions in S02, and then from
7 just the mid '90s in S02 over two-thirds reduction.
8 So over a 66 percent reduction in S02.

9 Then nitrogen dioxide -- nitrogen
10 oxide emissions, we keep up with that on an annual
11 basis and an ozone season basis, we have made
12 dramatic reductions, over 80 percent reduction in
13 seasonal NOx. So now we're down pretty low. In
14 terms of our contribution of nitro oxides to the
15 airshed, if you will, we're pretty low. We're in the
16 10 to 12 percent range of emissions.

17 And how is that -- with that how does
18 TVA stack up? Despite sometimes what you might read
19 in the press Tennessee is -- TVA and our plants are
20 leaders. Certainly all the plants in Tennessee come
21 from TVA. In our system, the TVA system, the
22 Tennessee rate is right on top of it. Our Kentucky

23 plants, our Alabama plants all have about the same
24 emission rates, if you will. So when we show up here
25 the proxy for Tennessee, it's very close to the TVA
1 system. 28

2 You will see that these are emission
3 rates. It's expressed in pounds per million BTU or
4 in heat input, but it's a good common denominator to
5 compare and to benchmark what other states are doing.
6 Certainly in terms of producing electrical power, we
7 are very low in emissions.

8 So now on to waste. I guess as we
9 talk about our waste -- the environmental principle
10 or the area of waste minimization, it goes again back
11 to some fairly simplistic methods. We can -- we have
12 got a lot of words of what we say we're going to do,
13 but a lot of it boils down to don't make it, don't
14 make waste, avoid it, don't make it.

15 If you do make it, minimize it. Then
16 once you have minimized it and you have it, try to
17 recycle it or try to get it back into another product
18 area for somebody to have an input to some of their
19 product lines, to reuse it and recycle it. So that's
20 the goal here.

21 Certainly as we try to look at our

22 waste footprint or if it comes from our power
23 operations or office operations is to -- is to reduce
24 that footprint. I kind of missed the slide. I will
25 catch up with my mouth here with the slides, but
1 that's the simple. 29

2 So now I want to take us back to March
3 of 2008. When we met with the Regional Resource
4 Stewardship Council back in March and we were
5 formulating the environmental policy and we were
6 seeking advice from the Council we asked it in
7 several buckets.

8 We set up a bucket to have advice --
9 your advice around water quality, quantity, and
10 sufficiency. We asked around land and shoreline
11 strategies. We asked around natural resource
12 strategy and recreation. We got a variety of
13 responses back, good responses back.

14 When we looked through them and parsed
15 them and tried to get our arms around them, you
16 could -- there was several themes that came up.
17 Those could be around educate, for TVA to speak on
18 what are the issues. There were themes on
19 collaborate and leverage, to acknowledge what other
20 people are doing, work in partnerships with others,

21 and if somebody has got an initiative going to build
22 on to that and leverage that system.

23 And then the third theme that I think
24 the Council was -- that we heard was basically the
25 Nike slogan, "Just Do It," execute, that you need to
1 do this, this, and this. So we kind of heard those
2 themes. ³⁰

3 As we looked at those buckets of
4 conversations that we had around water quality and
5 sufficiency and the other aspects of it, they
6 transformed down into the policy into three major
7 areas.

8 Now, certainly there were areas that
9 we heard from the Council that manifested itself in
10 other areas, but clearly there were main lines down
11 into our natural resource management, sustainable
12 land use, and water resource protection and
13 improvement areas. So that's where I am heading now,
14 to try to step through those areas to kind of relate
15 what we heard, how it manifested itself in the
16 policy, and then have some dialogue on where we go
17 from here and how to incorporate those things.

18 On water resource -- on water resource
19 protection and improvements, our objective is to

20 continue managing an integrated river system while
21 striving to provide clean and efficient water, that's
22 the overall objective.

23 The environment policy certainly has a
24 variety of critical success factors and other
25 conversations in there, but clearly some of the
1 things that we heard from y'all were to maintain 31
2 adequate levels of monitoring. You will see that in
3 the policy there's discussions around a lot of
4 balancing, balancing demands of water users, the
5 competing demands that are on the water supply.

6 To balance that we recognize there is
7 a need to have adequate understanding and in-depth
8 knowledge of changes in water quality, changes in
9 water quality and conditions on the river system. So
10 we heard what you said of maintaining those things as
11 we look forward of doing those balances, doing it
12 with science, doing it with -- from a knowledge base.

13 We certainly also heard a lot of
14 conversation around water quality and sufficiency.
15 Certainly over this last summer I think it reinforces
16 the wisdom of some of the things that we heard back
17 in March as we looked at another very dry year.

18 It was in -- it was assistance in

19 conservation measures, and certainly TVA is trying to
20 reduce water consumption at its metered facility and
21 have a discussion around where are the water uses.
22 That has led to slides like this where we ask who is
23 using the water.

24 You see on thermal electric, those
25 are -- that's condensor cooling water where in power
1 generation where we pull water out of the reservoir³²
2 and use it for condensor cooling and power systems
3 generation.

4 Most of that water is put back. You
5 will see that we are a -- we have a large intake, but
6 we also have -- we put that water back. So
7 consumptive use is fairly low from that side of our
8 operation. Industry, certainly, again, fairly large
9 takers, but they -- a lot of that water goes back.

10 So without going through all of the
11 elements in that slide, it has -- we are having those
12 conversations. We are looking at what we use and how
13 we use it. Some of the connections that we see that
14 I think can be summed up in the colloquial
15 expression, this ain't Rome. We don't -- our public
16 water supplies don't always travel with gravity from
17 an aqua duct down the hill.

18 We recognize that there is a
19 connection between energy efficiency and reduced
20 water consumption, that if you don't need to use
21 potable water, that if you can conserve water, then
22 you don't have to pump it and move it. Water is very
23 heavy to pump uphill. So we have seen those
24 connections. We're looking at those connections, and
25 that's where we're cross-fertilizing other areas of
1 the environmental policies that we see. 33

2 Sustainable land use, maintain TVA
3 managed lands in good environmental health by
4 balancing use for sustainable development, we heard
5 from the Regional Resource Stewardship continuing and
6 supporting the current land management plan, staying
7 with that, looking at the ROS and moving with that.

8 Certainly as we developed the
9 environmental policy, we certainly tried to continue
10 to understand what we had in those plans and maintain
11 the momentum that we had in those plans.

12 I think another aspect that we heard
13 was educate -- of the need for the cross education
14 between sustained economic development and
15 sustainable land use, and those cross functions with
16 economic development and sustainable -- and resource

17 management. We have been more engaged in those
18 discussions, and those are recognized in the policy
19 itself.

20 We also heard loud and clear that this
21 is an eco based business and that there are services
22 that TVA can provide. Well, I think on the boat ride
23 today you will see some of that as we get -- there
24 are services where we do touch a lot of folks.

25 Through the 26(a) application, through the shoreline
1 management processes, we do touch a lot of the public³⁴
2 in that and it is an eco-based business.

3 So I won't take time -- you're going
4 to hear a lot more about that today and I won't go
5 into it, other than to show the stuff that inspire
6 staff. I mean, it just makes folks feel good. I
7 won't try to steal the words, but when you get
8 watershed team members and when they see a -- see
9 efforts to stabilize sensitive areas, archeological
10 sites and others in environmentally friendly ways,
11 this is just good work that certainly folks get
12 passionate about doing. I think you will see more
13 of -- have more of those discussions today and
14 certainly on the boat tour.

15 Natural resource management, there we

16 go, be a leader in natural resource management by
17 implementing sustainable practice in dispersed
18 recreation while balancing the protection of natural
19 and cultural resources.

20 Some of the themes that we heard in
21 this conversation last March were to edulate (sic) --
22 to educate and articulate the stress on the competing
23 demands of the Valley, and certainly we did that.
24 The policy -- or we attempted to do that.

25 The policy recognizes the
1 archeological strength or the archeological treasures ³⁵
2 that we have here. This is an arch -- I try to say
3 that word. If I get it a couple more times, JoAnn,
4 help me out with that. An archeological rich area,
5 thanks, got it.

6 We also recognize the need for greater
7 demands on recreation. I think today Professor
8 Andersen and Dr. Crosby will have a lot of more
9 conversations with you on how we plan on doing those
10 types of recreational activities, dispersed
11 recreational activities. So those are the high
12 points.

13 I guess what we want to make sure that
14 we have is where do we go from here around

15 implementation?

16 This is a continuing conversation. We
17 got input from y'all on how to formulate the policy.
18 The policy sets the direction. It provides a
19 framework for us to get our arms around where we need
20 to head, how we need to get there.

21 Different strategies and implementing
22 strategies will be developed, and we will have
23 further conversations around those. Clearly today
24 around violations and encroachments and 26(a)'s and
25 shoreline management, I think y'all get a good taste
1 of that and in conversations on recreation. ³⁶

2 So we're working in those areas.
3 We're working in all six dimension areas to move
4 forward in ways. So we will have continuing dialogue
5 around that.

6 Then also I guess one thing to let the
7 Council know is that we will be moving forward for --
8 with environmental review of those implementing
9 strategies through NEPA's activities. We will be
10 looking at -- we will be looking at that and doing an
11 integrated resource update of TVA's assets --
12 generating assets and combining those two.

13 So further dialogue will be had as we

14 look at that major project and the conversations that
15 we will have certainly as we bring that home
16 through -- it will be a very public endeavor.

17 So with that, are there questions or
18 comments?

19 COUNCIL CHAIR MR. TOM LITTLEPAGE: Any
20 questions from any of the members?

21 I had a quick one, John, that related
22 to the slide on emissions where you showed, you know,
23 state level summaries of coal fired emissions.

24 MR. JOHN MYERS: Right.

25 COUNCIL CHAIR MR. TOM LITTLEPAGE: For
1 the other states are TVA -- in other words, do those
2 include the TVA and other power utilities?

3 MR. JOHN MYERS: It is. And I can
4 show more slides. Generally in those slides we
5 are -- we do our fair share in those states.
6 Certainly in those states we tend to bring down those
7 state averages.

8 The summation of our generating assets
9 in Kentucky and Alabama, where compared to the other
10 sources in those states, we generally drive down
11 those state averages a bit, but it does include them.

12 COUNCIL CHAIR MR. TOM LITTLEPAGE: All

13 right. Thank you.

14 MR. JOHN MYERS: Yeah. Sure.

15 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
16 right. Other questions? Comments?

17 MR. GEORGE KITCHENS: Just one. John,
18 have you started to get your arms around what sort of
19 carbon sequestration technology might be the best fit
20 for the TVA fleet?

21 MR. JOHN MYERS: Certainly we're
22 working with the Electric Research Power, ERPI,
23 Electric Research Power Institute. They are looking
24 at several different capture technologies. Then once
25 you capture it, then how do you sequester it and
1 what -- through deep well injection, and with that is 38
2 in what kind of geologic setting are you in. Are you
3 in deep saline aquifers and trying to get the
4 assessment of how that region is here versus a little
5 bit more of a known region in the gulf area.

6 We're working with ERPI on that.
7 That's an emerging technology, emerging concepts. So
8 right now, you know, in terms of picking winners and
9 losers, we're far from that.

10 MR. GEORGE KITCHENS: Yeah. The
11 reason I was interested is just, you know, your

12 strategy goal statement of sort of flat lining and
13 going down on that significantly by 2020.

14 MR. JOHN MYERS: Yes.

15 MR. GEORGE KITCHENS: When the
16 technology is probably, at least with the stuff I
17 have been reading, 15 years out.

18 MR. JOHN MYERS: Oh, at least.

19 MR. GEORGE KITCHENS: That's a
20 hard-to-accomplish goal. Even if we're successful on
21 energy efficiency, it's a hard goal to meet given any
22 load growth at all in the Valley.

23 DFO MS. ANDA RAY: John, there's three
24 ways we're going to accomplish it. One is avoid,
25 energy efficiency. Two is abate, clean energy, which
1 includes nuclear. The other is carbon sequestration,
2 which the technology is not developed.

3 So if you look at our nuclear growth,
4 that's the primary way we're going to be able to meet
5 that carbon flat line and reduction rate.

6 MR. GEORGE KITCHENS: Just my own
7 personal last comment on this one, the sequestration
8 technology scares me simply from the standpoint of we
9 don't know what's going to happen to that gas once we
10 put it in the ground and it hasn't been too many

11 years ago that a village in Africa was wiped out from
12 a natural CO2 event from volcanic activity. We just
13 need to be darn careful with that.

14 MR. JOHN MYERS: I think, yeah, well
15 said as we -- as we look at something that in certain
16 quantities in the stratosphere and we're going to
17 concentrate it in the lithosphere, it is a daunting
18 task. So we are looking at that and working to kind
19 of figure that one out, but you are right, it has a
20 long time frame.

21 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
22 right. Other comments?

23 MR. KENNY DARNELL: Is this a
24 realistic goal for nuclear, increase in nuclear
25 energy, or do you feel like given the current
1 environment that maybe that will increase more
2 quickly? 40

3 MR. JOHN MYERS: You know, certainly
4 in terms of those generation planning assets I think
5 we have got a track record to pull what we have said
6 off. To going further faster, you know, those are
7 conversations I think I will defer others to, but
8 certainly we think, you know, the activities we have
9 are certainly doable and we have got a track record

10 to pull them off.

11 DFO MS. ANDA RAY: In that draft
12 there's three nuclear plants; Watts Bar 2 which the
13 Board has approved; Bellefonte 1 and 2 or Bellefonte
14 3 and 4. Bellefonte 1 and 2 is the current
15 technology. Bellefonte 3 and 4 is if we go with the
16 AP 1000.

17 MR. JOHN MYERS: AP 1000.

18 DFO MS. ANDA RAY: I keep saying 600.
19 I'm getting old. It's the AP 1000 technology, which
20 is the new NRC combined operating and construction
21 license.

22 So in our financial plans, in our
23 forecasted rates, one of those three has been
24 approved to go forward with the Board. The other two
25 are having their economic assessments being done. So
1 that's feasible. 41

2 The thing for TVA is very, very
3 fortunate of something bad that happened in the '80s,
4 which was stopping the nuclear program, and the
5 reason we're fortunate is we already have them cited,
6 we already have the grounds, we already have
7 transmission right-of-ways. Those aren't green
8 filled nuclear sites. So we're real fortunate in the

9 Valley to be able to start those up. So that's why
10 that part is feasible.

11 Faster, we don't need it faster. We
12 in the Valley don't need it faster. That will meet
13 our load within that plus or minus 5 percent if we
14 achieve the yellow bar underneath, which is energy
15 efficiency.

16 MR. KENNY DARNELL: Is that a big if
17 or a little if?

18 DFO MS. ANDA RAY: I will ask the
19 distributors because we are relying on them to help
20 us change behaviors.

21 MR. GEORGE KITCHENS: I think it's a
22 fairly big if. You know, I will use me as an
23 example, I live in a house that was built about eight
24 years ago. It's well insulated. It has thermal-pane
25 windows in it, not the most efficient air
1 conditioning units but more efficient than ones that 42
2 were out ten years ago. I don't know how much I
3 can -- more I can contribute to efficiency from my
4 home other than, you know, making sure the lights are
5 off.

6 We already do -- we were doing before
7 it was pushed through TV ads this summer, our summer

8 thermostat settings was at about 78. In the winter I
9 am on an alternate energy supply for my heating.

10 DFO MS. ANDA RAY: I didn't hear that.

11 MR. GEORGE KITCHENS: I know, and I
12 didn't say which one. So I am not adding to winter
13 peak. So I really question how much we're going to
14 get from efficiency. I dread the pain that we, as
15 distributors and TVA, may inflict on our customers
16 with rate designs meant to send the price signals
17 that make our product less convenient for our
18 customers to use.

19 I have always said -- and I have
20 worked in the utility business now about forever and,
21 you know, our product sells because we sell comfort
22 and convenience. You know, from an environmental
23 standpoint, which is what our committee cares about,
24 if we price ourselves out of the market more trees
25 are going to get cut down and those fireplaces are
1 going to come back to life and that is not going to
2 achieve what the overall goal is of what we're trying
3 to accomplish. So I worry about the energy
4 efficiency piece bottom line.

5 I had one more thing I wanted to add
6 to nuclear. It's a question that you don't have to

7 answer right now, but particularly with regard to
8 Bellefonte, I know we gave up the license on
9 Bellefonte several years ago but -- and I know at the
10 time that plant was cited that EIS's may not have
11 been as structured as they are today, but from a
12 faster tracking point of view do we have at least
13 environmental impact assessments or something that we
14 could update to help speed that project along rather
15 than having to start all over again?

16 DFO MS. ANDA RAY: So we don't have to
17 answer all of that? There is an entire organization.

18 MR. GEORGE KITCHENS: No. I am
19 wanting to know sometime but not right now.

20 DFO MS. ANDA RAY: We will work on
21 that. Speeding it up is what the combined
22 instruction license is looking at doing for all the
23 nation. We're looking around ten years if you were
24 to say -- seven to ten years if you were to say go on
25 Bellefonte right now, and that's shorter than it was
44
1 before.

2 MR. GEORGE KITCHENS: Okay.

3 DFO MS. ANDA RAY: Joe or Bill, do you
4 want to say anything on energy efficiency?

5 MR. BILL FORSYTH: At Murphy Power

6 Board we kind of wonder how much time-of-day pricing
7 will change behaviors. It may or may not, but I
8 think there is some low-hanging fruit in
9 conservation, but how much is the question.

10 MR. JOE SATTERFIELD: And I think
11 we're -- in Blue Ridge we're a highly residential
12 retirement community. I think the price signals that
13 have been sent October 1st and on down the road is
14 going to have a natural effect on some conservation.

15 I think some of the incentives that
16 TVA has come up with and that maybe some of the power
17 distributors are going to add to, I think that's
18 going to do some good as far as reduction and demand.

19 I have mixed emotions about how
20 much -- how much effect we will have with a
21 distributor like ours that's highly residential.
22 There's just not much load shifting and conservation
23 that I see that can be accomplished with some
24 distributors.

25 I think some of the others that may
1 have a large industrial base and all, I think they
2 can do some things. George has a whole lot more than
3 we do. He's shaking his head and so he don't agree
4 with that either.

5 I don't know. It's mixed emotions.
6 We can do and will do what we can, but I just don't
7 know how big of an effect we can have as far as
8 customers.

9 DFO MS. ANDA RAY: I will make one
10 statement. I was with TVA's industrial customers
11 last night, and the majority of that yellow bar is
12 aimed at commercial and industrial, not just TVA's
13 but also the distributors.

14 They realize that to meet those, and
15 they have many, many opportunities, that it's going
16 to take investment and funding. I think they're
17 concerned with the global investment situation and
18 the fact of are they going to be able to have access
19 to capital.

20 And with China building the equivalent
21 of a Texas-sized utility every year with coal and
22 those industries that are being able to take
23 advantage of that, that it is now global market for
24 many industries, including metals, and I think that's
25 the issue because over half of that -- about
1 three-fourths of that bar underneath is commercial
2 industrial planned. So I think it's a tremendous
3 amount of challenges.

4 I do want to mention one thing. We
5 talk about -- Andy Love about 20 years ago said that
6 we were going to see energy efficiency improvement in
7 refrigerators, we have, a 250 percent improvement.
8 Energy efficiency improvement in air conditioning,
9 over 100 percent improvement.

10 You know where the majority of the
11 energy growth is, 40 percent of the energy growth in
12 our homes, not industrial, is not in your air
13 conditioning, not your appliances, not your
14 refrigerator, it's in those vampire loads. It's in
15 your microwave light, your transmitter wireless, your
16 plug-in charges, 40 percent of the load, and that was
17 not forecasted.

18 I don't know if you -- I will make
19 you -- give you one other little factoid. You know
20 those digital picture frames that we all got for
21 Christmas last year, if every household had one it
22 would take five 250 megawatt combustion turbines just
23 to power our digital frames, that's huge. That's
24 bigger than a nuclear plant.

25 If you have a plasma TV, every
1 household has a plasma TV, 3 percent of the entire
2 nation's energy use. So if you get one, cut back

3 somewhere else, you know. Those are the things that
4 were not anticipated in the energy efficiency
5 technologies that were being improved over that time.

6 So, yes, thank you for stirring that
7 all up. It's a challenge.

8 MR. KENNY DARNELL: My pleasure.

9 DFO MS. ANDA RAY: Keep going.

10 Thanks, Kenny.

11 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
12 right. I'm just going to ask. It seems to me I had
13 talked to someone from NRC, is there a number in
14 terms of national permits or applications on nuclear
15 facilities? It seems like it was 20 something
16 facilities.

17 DFO MS. ANDA RAY: It's about 20
18 something, and about two-thirds of those are for the
19 combined operating license. They are looking at that
20 combined construction operating license.

21 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
22 right. Thank you. Yes.

23 MR. KENNY DARNELL: When you're
24 looking at power loads then, you're just looking, as
25 far as TVA is concerned, for the power needs of the
1 Valley, is that correct?

2 MR. JOHN MYERS: That's right.

3 MR. KENNY DARNELL: You're not looking
4 for TVA to have excess capacity to help other parts
5 of the country?

6 MR. JOHN MYERS: No. It's indigenous.

7 MR. KENNY DARNELL: Thank you.

8 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
9 right.

10 MR. GEORGE KITCHENS: I will just
11 close up since I was shaking my head when Joe was
12 talking, we tend to serve a lot of continuous process
13 driven industrial customers. It is very hard for
14 them to shed load on peak. They tend not to
15 contribute much to peak either since they are a
16 pretty steady state operation. They have a 95,
17 96 percent load factor. So they sit there and hum
18 all the time.

19 Other than maybe looking for motors,
20 or pumps or those sorts of efficiencies, or lighting,
21 it's going to be tough to eke a lot of big-time
22 savings out of those types of industries.

23 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
24 right. Thank you, John. We appreciate it.

25 MR. JOHN MYERS: I look forward to

1 further discussions.

2 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
3 right. Next I think we're going to hear from Buff
4 and talk a little bit about commercial recreation.

5 MS. BUFF CROSBY: Okay. My Texas
6 upbringing says you need to know what's behind your
7 back, and you're supposed to also know where the exit
8 is. So I'm making some changes.

9 Okay. As John stated we're -- after
10 the result of the environmental policy we're kind of
11 going back and refining some of our strategies on how
12 we're going to implement some of the things on the
13 policy.

14 I'm going to kind of actually tell you
15 one of my secrets for surviving in college, and that
16 is giving you the test questions before you get the
17 test. What we want to do is Don and I are going to
18 give you kind of an overview of where we think we
19 ought to go with our recreation strategy but we --
20 after we're done we want some feedback from you.

21 So what we want to know is the
22 objectives that we're looking at and that we're kind
23 of proposing, do you guys think that's what we need
24 to do? Do we need to look at something different and

25 that sort? So these are the things that we want you
1 to consider as we're going through this. 50

2 As John stated, here's the
3 environmental policy. So where does recreation fit
4 into that? It actually fits into sustainable land
5 use, natural resource management, and to some extent
6 into the water resources improvements because if you
7 don't have good water quality people don't want to go
8 out there and swim and fish and drink the water. So
9 it does fit there. So I am going to focus mostly on
10 the sustainable land use and the natural resource
11 management.

12 Now, John kind of took and walked you
13 through our objectives, environmental objectives of
14 the sustainable land use and the natural resource
15 management. What I have done is kind of combined
16 those two to kind of focus more on the recreation
17 aspect.

18 Really what we're looking at in the
19 environmental policy for sustainable land use and
20 natural resource management is we want our lands in
21 good environmental health conditions so that we can
22 provide those recreational opportunities, but at the
23 same time we want to protect and balance those uses

24 with the protection of the cultural resources,
25 archeology, the sensitive threatened and endangered
1 species, and all of those other unique aspects of, I⁵¹
2 guess, what we would like to say is maybe those
3 national treasures that would occur on TVA lands.

4 What is it that would drive or bring
5 the people to the public lands? It's a lot of those
6 unique features that we have on our lands in the
7 Tennessee Valley.

8 So how are we going to accomplish
9 those objectives? Well, we're going to kind of focus
10 on three -- three things and areas. One, we want to
11 actively manage our lands to meet the desired
12 conditions as they are stated in our lands' plans.

13 So if a piece of property is allocated
14 for recreation we want to make sure that the -- that
15 property is suitable and capable of handling that use
16 and we want to make sure that it's in an
17 environmental condition to support that use.

18 We also want to make sure that if
19 people are out there recreating on those lands, we
20 want that ecofriendly dispersed recreation to occur
21 so that we're not impacting further our archeology
22 sites, our threatened and endangered species and all

23 of that. So it's that balancing act.

24 Then for our facilities --
25 recreational facilities that's already out there, we
1 want to make sure that they are in a good condition ⁵²
2 environmentally, you know, from an environmental
3 quality and a management perspective that people want
4 to come and use those facilities and that they are
5 going to have a good recreational experience when
6 they use those facilities.

7 So in 2005 we developed a recreation
8 strategy. We brought the strategy to you guys. You
9 guys gave us input. We finalized that strategy. Now
10 we want to go back and take a look at, is that
11 strategy really what it needs to be because now we
12 have the environmental policy.

13 We started last year, which we came
14 back to you with a draft of our natural resource
15 management strategy, and so we have got those three
16 components, as well as the land policy that we passed
17 in November of '06. We're going to take all of that
18 and make sure that everything we say in all of those,
19 is it all consistent? Does it flow well and all of
20 that?

21 So one of the things that we are going

22 to do with the recreation strategy is we're actually
23 going to split out the recreation to about three
24 different components. We're going to look at
25 dispersed recreation because we think that ties more
1 with natural resource management. We're going to
2 move dispersed recreation over into the natural
3 resource management strategy. Then we're going to
4 focus the recreation strategy more on developed
5 recreation and commercial recreation.

53

6 Before I go further there, I want to
7 just kind of talk about what our definition is of
8 these three components just to make sure we're all on
9 kind of on the same page of what we think dispersed,
10 developed, and commercial recreation is.

11 For us we're looking at dispersed
12 recreation is that recreation that occurs with no
13 infrastructure, with no capital investments. It's
14 for people that are going to go recreate for little
15 or no cost at all. It's where they are going to get
16 in a canoe, you know, canoe over to an island and
17 camp for a couple days, very primitive camping, or
18 they are going to go, you know, into the public lands
19 and go hunting for the day or they are going to just
20 go hike up into the woods and go observe, you know,

21 the natural wildlife for photography or that type of
22 thing. So that's what we're looking at as dispersed
23 recreation.

24 For developed recreation it's where
25 the -- the places where we add a little bit more of
1 capital investment to areas. It's our boat ramps. 54
2 It's our stream access sites. It's the picnic areas,
3 day use areas, swimming areas where people come to
4 spend the day to enjoy the outdoors.

5 And then when we look at the
6 commercial recreation, based on the land policy we're
7 looking at commercial recreation as that water-based
8 recreation that occurs across the Valley. It's more
9 your marinas, commercial campgrounds, and the
10 restaurants and associated amenities that tie to that
11 water/land based interaction. Your commercial
12 recreation is where everybody is charging a fee to
13 generate revenue.

14 Can you go back one?

15 So we kind of go back and maybe you
16 can kind of see a little more clearly why we're
17 splitting out the dispersed recreation and folding
18 that into the natural resource management because
19 that's -- you have got to have natural resource

20 management for people to go in and play out there in
21 the woods and stuff.

22 Then the developed recreation and
23 commercial recreation is the other components, but
24 they are all linked together because a lot of times
25 where you have the developed recreation and
1 commercial recreation that's your starting point to 55
2 do your dispersed recreation. So hopefully you will
3 see that it does all tie together.

4 Just to kind of talk some briefly and
5 give you some, you know, why do we care about
6 recreation, you know, why is it important?

7 Some national trends that we're
8 seeing, you know, if you go back to the 1960s through
9 2001 you can kind of see the increases in recreation
10 occurs both in what we would consider all three
11 components of recreation, the dispersed, the
12 developed, and the commercial recreation components.
13 Biking and hiking is really large. Camping and
14 swimming, those are large components.

15 When you kind of narrow that
16 recreation trend down from the last 12 to 13 years
17 you can still see you have a large increase in
18 fishing, your developed camping, primitive camping,

19 and then you're getting into that dispersed
20 recreation of hiking, backpacking, and that
21 wilderness area visits. So you see that it's all
22 tied together.

23 So when I start talking about
24 commercial recreation, I am going to kind of start
25 with it first, I want to split out the commercial
1 component into commercial campgrounds and commercial ⁵⁶
2 marinas and talk to what we have Valley-wide.

3 Right now across the Valley there's
4 about 260 campgrounds located along the Tennessee
5 River, 118 of those campgrounds are located on TVA
6 public lands. Actually, prior to around the -- I
7 guess it was the early '90s to the mid '90s TVA
8 actually owned and operated about 51 of those
9 campgrounds, but we determined back then that maybe
10 managing a campground is not our core business.

11 So we started leasing those
12 campgrounds out to individual operators just to
13 get -- you know, we didn't really want to close them
14 down because some of them were still in high demand.
15 So we leased those out.

16 Today we still manage and operate 11
17 campgrounds across the Valley, seven of those are on

18 dam reservations and four of those campgrounds are
19 off reservation.

20 Just to give you some examples of what
21 some of those campgrounds look like. Some of them
22 are very simple with just a pad, a picnic table, and
23 electric hook-ups. Some of them aren't in the
24 greatest shape. Some look a little not quite to the
25 standards that we would like them to look like. Then
1 others, you know, they are operated pretty well. 57

2 So what we would like is our
3 objectives, and this is where we want some of your
4 feedback, we have got four objectives that we want to
5 look at over the next few years for commercial
6 campgrounds. What we want to do is migrate
7 campgrounds on TVA lands to longer-term and more
8 business-like agreements.

9 We have several campgrounds across the
10 Valley that are being operated on public lands under
11 a revokable license. This isn't a good thing for TVA
12 and it's sure not a good thing for that campground
13 operator because we could give them a 30-day notice
14 and say that you have got to get off, or vice versa,
15 they could do the same thing and then we're left
16 holding the bag trying to figure who owns the

17 facilities and how are we going to keep it cleaned up
18 and that type of stuff.

19 So we want to migrate to more
20 business-like and better agreements that takes care
21 of do they have the appropriate performance bonds, do
22 they have the appropriate insurance in place, and
23 those type of things. We want to ensure that we're
24 producing a revenue stream for TVA and really the
25 ratepayers from these businesses operating on the TVA
1 property. 58

2 If somebody is generating revenue, we
3 feel like TVA should get a share of that. Right now
4 we are taking a relook at what should that be. We're
5 looking at that both for marinas and for our
6 campgrounds.

7 What's an appropriate amount of
8 revenue that TVA should collect from these
9 operations? You know, we want to make sure that they
10 are being profitable and they are able to generate
11 enough revenue to put back into their operations, but
12 at the same time, what's a fair amount for TVA to
13 collect on that?

14 We want to ensure that these
15 operations are focused on general public use and not

16 private use. You saw that one picture that looked
17 like it was an individual lot. Well, we don't really
18 want these campgrounds to be very cheap lake-front
19 lots for campers through the season and be a single
20 private use. We want to make sure these are
21 available for all of the general public for their
22 recreation benefits. Then last we want to look at
23 standards of best practices for all of those.

24 So these are just some of the things
25 that we want to look at as far as standard practices.
1 Really, what we're looking at is if you're driving
2 down the highway and you see a sign that says TVA
3 Honeycomb Campground that you have got in your mind
4 what that campground should look like, how it should
5 be operated, what kind of recreational experience you
6 should expect from that. So it's kind of getting
7 that consistency across the Valley.

8 You know, do we have standard signage
9 that it -- right now probably none of those 118
10 campgrounds you would not know it's on TVA public
11 properties. You know, it's either Honeycomb
12 Campground or Buckhannon Resort. Well, you know,
13 should TVA get some benefit out of people knowing
14 that it's on public lands?

15 Get some standard and operating
16 maintenance plans, again, so you know what kind of
17 conditions to expect. We want to look at
18 length-of-stay standards, you know, try to get that
19 standard across the board. At all four service
20 campgrounds they have a 14-day stay period. You're
21 in there 14 days and you're out of there.

22 We kind of have a various length of
23 stay across the Valley. We have -- some have
24 long-term stays where you can stay eight months
25 before you leave. Other places we have difference in
1 where the campsites are at. Some are 21 days and you
2 leave for 24 hours and you can come back another 24
3 days. It gets really confusing for the public as
4 they are trying to go to these campgrounds, you know,
5 what can they do, where can they stay, how long can
6 they stay, you know, how do they better plan their
7 recreational experience?

8 What we also want to do is try to
9 implement some two-week closure periods where, you
10 know, everybody leaves the campground. What we want
11 to do with this, it kind of starts taking away that
12 this is my specific campsite and if it's my campsite
13 I can start putting out my porch, my deck and stuff.

14 So it gets them to leave the campground.

15 It also allows us to be able to go in
16 and do some inspections to make sure is the
17 electricity up to code? Is the water and sewer
18 permitted properly? Is it operating right? You
19 know, just to give us that chance to do that year-end
20 inspection.

21 Then naturally we want to look at
22 security and safety practices. We want to make sure
23 we're ADA compliant, just kind of increasing that
24 standard.

25 Some future things we want to do after
1 we kind of get those things in place is, you know, ⁶¹
2 once you get -- can you get an economy scale? If you
3 get everybody on the same page could you get
4 everybody to do an on-line reservation?

5 Can you do your improved marketing
6 where you can help these operators bring in added
7 revenue to their area at a lesser cost to them
8 because it's all one marketing system, and that type
9 of thing.

10 The other thing we want to kind of
11 take a look at is consolidated management. Should we
12 look at -- right now, you know, we may have 118

13 different operators across the Valley. Should we
14 look at having only one management vendor manage all
15 of these campgrounds?

16 There is a lot of companies out there
17 that manage National Park Service, Corp of Engineer
18 and Forest Service campgrounds for them. You know,
19 they are in the business. They know how to do that.
20 Is that something that we probably ought to take a
21 look at?

22 So now kind of switching gears and
23 going into the commercial marina aspect and show you
24 a little bit of national trends on boating. You can
25 see from the '60s to 2008 there has been a pretty big
1 increase in the number of boats out there. From '01⁶²
2 to '08 it kind of seems like it's leveling off.

3 Now, one of the things that we're kind
4 of wondering and probably assuming is that with the
5 current economy out there, you know, how much are
6 people going to continue to be boating out there with
7 the prices of high gas and all of that, you know, are
8 they going to be able to spend the money?

9 Some of the things we think will
10 probably happen is those marinas out there will
11 continue to stay full, people will keep their boats

12 there, but rather than taking their boats out and
13 running around the reservoirs, they are just going to
14 come to the marina for the weekend and they are just
15 going to camp out on their boat and never the leave
16 the marina.

17 So kind of, again, some statistics
18 across about the marinas across the Valley. We have
19 about 230 marinas across the Valley, 150 of them have
20 agreements with TVA, which means they are on public
21 lands. They either front the margin lands, you know,
22 they are out there in the water but their -- where
23 they start is on TVA public lands.

24 Again, to give you some examples of
25 what some of these marinas look like. Some of them,
1 you know, are operated very well. Others aren't, you
2 know, they could have some improvements.

3 As you know, several years ago we
4 started the Clean Marina Initiative. We really like
5 this approach and we want to try to integrate this
6 into some of our objectives because a clean marina
7 really helps us meet that kind of standardization and
8 improve that environmental quality of what's going on
9 out there.

10 It also promotes that, you know, the

11 marinas are being environmental responsible. The
12 thing about clean marinas, which I think you have got
13 to have with boating, is it also helps to improve the
14 boating practices. You know, we can go out there and
15 have certified marinas all over the place, but if the
16 individual boats aren't trying to be environmentally
17 responsible, you know, we're not as successful as we
18 probably could.

19 The Clean Marina Initiative and those
20 standards also help address those long-standing
21 issues, such as how are these marinas going to deal
22 with their sewage pump out, how are they going to
23 deal with their fueling systems and making sure those
24 fueling systems are up to standards and meeting --
25 you know, you're not losing any fuel out into the
1 water. 64

2 So our objectives for commercial
3 marinas are pretty much the same as they are for
4 commercial campgrounds. We want to migrate those
5 marinas that are in short-term agreements into
6 longer-term agreements. We want to produce that
7 revenue stream for TVA, you know, when they are
8 operating on public lands. Again, we're taking a
9 look at what should that be.

10 We want to ensure that commercial
11 operations are being used for general public use. We
12 are starting to see a lot of -- not a lot but several
13 places where the back lying property of commercial
14 marinas are selling for private use.

15 So they are going in there and
16 building condos or residential subdivisions in there.
17 They then want to use that commercial marina as a
18 private marina and not commercial.

19 So we're really struggling with that
20 in that should that remain for public use or do we
21 allow it to be converted to private use. You know,
22 from a stewardship standpoint we're probably like we
23 really want it to be for public. So that's something
24 we have got to work through. Then, you know, getting
25 this higher standard going on.

65

1 Now, switching to the developed
2 recreation area. These are our day-use areas, our
3 swimming areas, the boat ramps, the fishing access
4 sites. As you can see on this slide, TVA doesn't
5 manage a whole lot of these. A lot of these are
6 managed by a whole lot of other groups.

7 The majority of them are being managed
8 by state agencies, such as Tennessee Wildlife

9 Resources Agency, State of Alabama, Alabama
10 Department of Natural Resource Conservation, and then
11 a lot of your cities and municipalities are managing
12 many of these.

13 We also have some instances where you
14 have a commercial operation going on where you have a
15 marina or a campground and there may be a day use
16 site right next to it so that the commercial
17 operation is managing that.

18 In some instances there those
19 commercial operations are charging a fee for those
20 uses, such as upon Kentucky where Buckhannon Resort
21 is, I think that are managing a boat ramp. They
22 charge a fee to, you know, unload your boat there.
23 For all of the TVA managed sites, we don't charge any
24 fees for those uses.

25 So just some samples. This is a river
1 access site on Clinch River below Norris. Swimming⁶⁶
2 areas, a lot of our swimming areas really get a lot
3 of use particularly on the dam reservations. Picnic
4 pavilions, they get a lot of use. In the summers
5 people have family reunions at a lot of these sites.

6 So our objectives for the developed
7 recreation is for the TVA managed sites, we want to

8 continue to maintain those and improve the developed
9 recreation opportunity there. Through our lands
10 planning process, we want to make sure that when we
11 do our needs assessments for recreation and we find
12 sites that are needing -- where we might need more
13 boat access sites or we might need more picnic areas,
14 we allocate those lands for those uses in our lands
15 planning process.

16 Then when we get interest in
17 developing those sites, we want to be able to partner
18 with those folks so that we might partner with them
19 in the development of the site, but we want somebody
20 else to take over that long-term maintenance and
21 operation of the sites so that it's not an increased
22 cost to TVA.

23 So that's kind of the -- that gets us
24 through those three pieces. Since I am red neck
25 enough and really can't pronounce that word up
1 there --

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2 UNIDENTIFIED SPEAKER: Archeological.

3 MS. BUFF CROSBY: In summary, kind of
4 what we really want to do with developed recreation
5 and commercial recreation is we want some
6 consistency.

7 Again, if you're driving down the road
8 and you see a sign that says TVA public boat ramp or
9 TVA campground that you have got in your mind what
10 that should look like, you know, you would be proud
11 to go there and we at TVA would be proud to put our
12 name on that sign that says, yes, we want you to go
13 to that boat ramp, that it's high quality.

14 It's kind of like the KOA's across the
15 country or the Jellystone campgrounds with the Forest
16 Service, you know, that's kind of the idea where we
17 want to get these is you know what you're going to
18 expect when you get there.

19 So with that we -- with dispersed
20 recreation though we're not so interested or think we
21 need to have that consistency and that
22 standardization, it's a little different. I am going
23 to turn this back over to Don Andersen and he's going
24 to talk to you a little more about the dispersed
25 recreation.

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1 MR. DON ANDERSON: Thank you, Buff. I
2 want to recap a definition that we covered earlier on
3 of what is dispersed recreation. Well, it's
4 recreation on lands with little or no infrastructure
5 or support facilities and it is truly dispersed out

6 on to the entire land base.

7 And I guess the key word, if you had
8 just one thing to take away from what is dispersed
9 rec, the characteristic is variable. It's just about
10 impossible to come up with a conclusive list of what
11 constitutes dispersed recreation.

12 I have seen a list. Some of our
13 resource specialists compiled one. It had about 200
14 things on it. As soon as you think you have got them
15 all, somebody walks in the door and has another one
16 to ask you about. So it is highly varied.

17 I have listed some of the more popular
18 ones that you can see here, bank fishing, hiking,
19 wildlife photography and observation, those are very
20 common and popular uses, but truly it's an open-ended
21 set of opportunities that people have out there.

22 You know, some people just like to do
23 nothing at all or nothing that you could really
24 define, walk into the woods and stand quietly and
25 listen to the leaves fall, that's great, what label
69
1 do you put on that for dispersed rec?

2 Another characteristic of dispersed
3 recreation is its wide availability to all kinds of
4 people and all kinds of economic and social groups.

5 Certainly some kinds of dispersed recreation,
6 mountain biking perhaps, require an equipment
7 investment. Fishing is one of those things you can
8 vary from very few dollars to very high dollars on
9 that.

10 There is no expensive ante to get onto
11 public lands and to use those for dispersed
12 recreation. You can still take a small child fishing
13 out on the reservoir on the bank for very little
14 money at all and have a wonderful, wonderful time.
15 So high variability, widely available to a lot of
16 different people, a lot of different cost levels for
17 people.

18 Going back to the strategy drivers
19 that Buff talked about, she indicated that our
20 dispersed, our developed and commercial activities
21 are driven by the recreation strategy. Then there's
22 a nuance with the dispersed recreation in that it
23 links both to that recreation strategy and to the
24 natural resource management strategy.

25 The recreation strategy gives us input
1 related to user needs and preferences and trends that
2 are drivers for recreation and what acceptable
3 practices and standards are. The natural resource

4 component gives us the land base, the land
5 suitability, the land condition, the sensitive
6 resources that need to be protected and balanced with
7 the dispersed recreation use.

8 So we have those -- our feet planted
9 firmly in two strategic directions here, compatible
10 directions however, but with the recreation strategy
11 and the natural resource management strategy.

12 Just a few pictures here. They asked
13 me to shorten my slide show. I had 200 or so slides,
14 and we could have spent the rest of the day on it,
15 emphasizing this point of diversity and the beauty of
16 the public lands, but you-all really know that. This
17 is just a small sampling of things that go on out
18 there.

19 I do want to call your attention to
20 the picture of that handsome eagle there in the lower
21 center. That's done by a gentleman named Gary Doomer
22 of Guntersville, Alabama, a retired gentleman who is
23 a very talented and wildlife and nature photographer.
24 He has shared with us many of his products. I just
25 want to put in a plug for him. We have a lot of
1 talented people out there appreciating and through
2 their contribution like this promoting the value of

3 our public lands.

4 It's also evidence that a recreational
5 use of the land is not only compatible with sensitive
6 resources but the sensitive resource provides the
7 recreation opportunity. We need to look more at that
8 and view these sensitive resources not just as a
9 liability in terms of our need to protect, but they
10 are an asset of value produced by our land base.

11 Some of our objectives: To assess and
12 prioritize impacted sites for remedial action. We
13 need to know basically the condition of our land not
14 just from the fact that they are impacted, but we
15 need to know what strategically overall what the
16 condition is, good, bad or indifferent.

17 Certainly those that have maintenance
18 needs or have abuse need to be prioritized and
19 prepared for some kind of action or mitigation.
20 We're attempting now to begin to look at that Valley
21 wide. As Anda pointed out, we have reorganized some
22 of our functions to create more of a Valley-wide
23 point of view for steward activities. So being able
24 to assess and prioritize on a Valley-wide basis to
25 maintain and protect our lands is a very important
1 concept for us.

2 When we do have abuse and
3 encroachments, we have to do something about those
4 things. Unlike campgrounds and marinas where you're
5 largely dealing with individual operators or
6 relatively few people, when you're talking about
7 preventing abuse and encroachments out there, you're
8 talking about affecting individual behaviors and that
9 gets you in to a different set of activities.

10 Certainly I think we're going to have
11 to work in terms of education and communicating with
12 the user public and others to point out the variety
13 and value of our public lands, what is acceptable use
14 and unacceptable use. We need to engage partners and
15 friends-of groups to help us create a leave-no-trace
16 ethic out there on our lands to reduce that level of
17 abuse.

18 Then ultimately we do have to have
19 some fall-back provisions when we do have serious
20 violations and encroachments or damage out there to
21 bring some kind of resolution to those.

22 We really need to take advantage of
23 these high value resources not only from a protection
24 standpoint but to promote their value and uniqueness
25 to the Valley, again, my little eagle example there.

1 Ecofriendly tourism, ecofriendly recreation, we need
2 people to understand what these resources mean. We
3 need to do a better job of interpreting them to the
4 public so they will on the one hand enjoy them and on
5 the other hand protect them and limit their use to
6 only those uses that are compatible with those
7 sensitive resources that we're calling our national
8 treasures.

9 We want to rely and need to rely
10 heavily on partnerships. We have a lot of land out
11 there providing dispersed recreation benefits that is
12 under the day-to-day management of other
13 organizations, such as Fish and Wildlife Service,
14 such as our state wildlife agencies, and that will
15 continue.

16 We need to make sure that those
17 relationships are not passive relationships, but
18 we're working actively with them to ensure that that
19 dispersed recreation benefit that we intended is
20 being delivered to the public and that the public
21 understands they are indeed using TVA lands, that
22 TVA, in addition to the Tennessee Wildlife Resource
23 Agency, is part of the mechanism for providing that
24 dispersed recreation benefit.

25 I think right now a lot of the lands
1 that are TVA lands managed by others are not 74
2 recognized by the public as TVA lands. We can do
3 better in that respect.

4 We can also begin to look for
5 opportunities not just to manage lands with partners
6 but to engage some partners, friends-of groups,
7 volunteers in helping us to do some of those other
8 objectives here, such as our assessment activities.
9 You know, we have got a lot of acreage out there.
10 When you spend staff resources to go out and assess
11 all of that acreage on a recurring basis, you have
12 got a major investment.

13 Are there potentials for us using
14 volunteers or friends-of groups to leverage our
15 capabilities and get more assessment information with
16 less input from us and still meet our needs of having
17 quality information that drives our management
18 decisions.

19 Successful partnerships, we have them
20 all over the Valley ranging from an individual scout
21 troop working on a trail or access area. That one is
22 kind of close to my heart, not that particular site,
23 but I was a former scout leader and we had a lot of

24 service projects around the Valley and Eagle projects
25 that were in our neighborhood. I know there's a lot
1 of scout troops working with us across the Valley. 75

2 The Southeast Off-Road Bicycle Group
3 in Chattanooga, out of Chattanooga in the Raccoon
4 Mountain area have an extensive trail system there
5 that they have worked with to develop. You can see
6 volunteers out there installing the trail and
7 maintaining the trail. That's getting regional and
8 national exposure as a high value recreational asset.

9 You can see some fish stocking there
10 in cooperation with the state and wildlife agencies
11 and a little girl bank fishing out there. I don't
12 think she has a \$10,000 fishing rig. It doesn't
13 really take much for her to go out there and have the
14 time of her life out here on the public lands.

15 We do end up with overuse, and in some
16 cases abuse, as I mentioned. Littering, cutting of
17 our vegetation, vandalism of our cultural sites are
18 some of the things that you might see. One of the
19 more common and widespread ones that we have now,
20 just as an example, is the off-road vehicle impacts
21 that we wrestle with all across the Valley.

22 That's one of those things where both

23 better patrolling and monitoring of these activities
24 and trying to change individual behavior is going to
25 be key to getting that under better control.

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1 Limits of acceptable change is an
2 important concept our staff works with all the time.
3 We have to recognize that using the lands will often
4 involve some, at least, minimal impact to the land.
5 So we try to look at these dispersed recreational
6 sites in terms of limits of acceptable change.

7 When somebody has been camping
8 informally on a site, what would you expect to see
9 sort of in the way of normal wear and tear for that
10 use and what is reasonable to expect? Then when you
11 go beyond that threshold, what do you begin to do
12 about it?

13 So we have folks out now with an
14 established methodology looking at these sites to try
15 to determine, have they tipped over that use of abuse
16 threshold where something needs to be done?

17 We have about 70 of these sites being
18 assessed during the month of October. The prime
19 season to do that is now at the end of the recreation
20 season when they will have experienced their maximum
21 impact and before leaf fall begins to obscure the

22 signs that we need to be looking for.

23 Again, ecofriendly opportunities, we
24 have great resources out there. We have folks that
25 can and I think will appreciate and use those with
1 minimal impact. We have to help them understand the ⁷⁷
2 value of the resources and the ways they can use them
3 to minimize those impacts.

4 This is a summary of objectives. Buff
5 has talked about two sets of those. I have added
6 four more to conclude the set of commercial,
7 developed, and dispersed recreation. We would like
8 feedback on these, and I think now JoAnn is going to
9 facilitate further discussion on it.

10 Thank you.

11 FACILITATOR JOANN LAVENDER: Thank
12 you, Don. Yes, we would like to get your comments on
13 these objectives, and we would like to start with the
14 commercial campgrounds and marinas objectives.

15 Do you agree with the objectives
16 proposed, first of all? Secondly, we will ask if you
17 want to have any additions.

18 COUNCIL CHAIR MR. TOM LITTLEPAGE: I
19 just wanted to ask a quick question of Buff, I guess.
20 You talked about a lot of this as these short-term

21 agreements that are currently predominant across the
22 Valley.

23 Are there -- is there an evaluation
24 when those agreements are renegotiated or renewed
25 where TVA will go in and look at, I guess Don's term
1 was normal wear and tear, and see if the contractors ⁷⁸
2 have maintained any kind of standard or is that
3 process just generally a -- is there a lot of
4 turnover in those contractors?

5 MS. BUFF CROSBY: We have got, I
6 guess, basically three types of agreements that we
7 have across the Valley. We have some that are in
8 those 30 day or 60 day revocable licenses. We have
9 others that are under either a 19 year or 30 year
10 term easements. We did a lot of those 19 years back
11 in the '80s and '90s.

12 A lot of those 19 year easements are
13 starting to come and expire and those -- we are
14 taking a look at those to see what kind of conditions
15 do we have, were they good operators, were they --
16 you know, were they maintaining their facilities and
17 were they putting some capable investments back into
18 those facilities, you know, before we say, yeah, we
19 will renew those easements with you.

20 Some of those operators will say, you
21 know, we just -- they were not a good operator. So
22 where we are at with some of those is as they are
23 coming due is do we go out with an RFP, a Request for
24 Proposal, and bring in somebody different, do we
25 stick with that same person, or do we start looking
1 at that consolidated management where we bring in one ⁷⁹
2 vendor to start taking over all of those?

3 So we have got some options, but we're
4 kind of taking a good look at all of them.

5 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
6 right. Thank you.

7 DFO MS. ANDA RAY: Following up on
8 that, we don't have a report card. I mean, we don't
9 go by and you say, well, is this an A plus one, is
10 this an A minus one, I mean, we look at the criteria
11 for the -- in the lease.

12 So if that's one of the suggestions
13 you're having as a result of that question, then
14 maybe we need to capture that.

15 COUNCIL CHAIR MR. TOM LITTLEPAGE: I
16 think there would be -- even if you go to a long-term
17 agreement, some kind of annual submittal of activity
18 or investment or problems that they may be

19 experiencing with the land.

20 MS. BUFF CROSBY: Some kind of check
21 sheet, are you -- are you meeting these conditions?

22 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
23 right. Yes.

24 FACILITATOR JOANN LAVENDER: Okay. So
25 a check sheet that would identify whether you were
1 meeting the needs. 80

2 COUNCIL CHAIR MR. TOM LITTLEPAGE: And
3 the other thing, I guess, is as you think about your
4 environmental web site and the ability for people to
5 dial in and raise questions and issues, you know, do
6 something on the recreation that you advertised as an
7 opportunity for people to voice their concerns and
8 comments, positive or negative, in terms of how --
9 you know, I think a lot of it goes back to the fact
10 that a lot of these lands may not be branded and so
11 people don't understand they are on TVA land.

12 So I think an excellent kind of public
13 outreach opportunity is to make sure people know when
14 they are on TVA property using standard signage,
15 colors, that kind of stuff.

16 FACILITATOR JOANN LAVENDER: So being
17 able to use the web for comments and also the TVA

18 branding signage.

19 MR. BILL FORSYTH: I agree with the
20 branding and the standards. I would comment though
21 that probably in more rural areas some of the
22 operators might not be able to keep it as high a
23 standard as areas that are used a lot more.

24 FACILITATOR JOANN LAVENDER: So some
25 operators may not be able to keep it at that
1 standard. 81

2 COUNCIL CHAIR MR. TOM LITTLEPAGE: I
3 guess I would like to explore that a little bit.
4 When we talk about the types of recreation, you know,
5 dispersed or recreational versus developed
6 recreation, when you say not maintain those kind of
7 standards, I guess, can you kind of amplify that a
8 little bit?

9 MR. BILL FORSYTH: Yeah. I was not
10 talking about dispersed. I was talking about an
11 operator. In rural areas like mine they may not stay
12 full all the time, you know, and may not have the
13 revenue to keep a standard that you might in some
14 areas.

15 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
16 right.

17 FACILITATOR JOANN LAVENDER: Kenny.

18 MR. KENNY DARNELL: Buff, when you
19 start looking at these contracts and leases and
20 things, what -- what's the model that you're
21 contemplating for new leases?

22 MS. BUFF CROSBY: We have actually
23 this last year put together what we call a campground
24 compliance team that actually kind of went out and
25 looked at how is that -- the Forest Service and
1 National Park Service, how are they running their 82
2 campgrounds?

3 That's kind of where we came back
4 with, okay, the Forest Service only allows 14 days
5 period and then you're out. A lot of our agreements
6 are not set up that way. We allow various
7 length-of-stay type of things, but we come back with
8 kind of benchmarking the federal industry on what
9 does their campgrounds look like?

10 So we have put together some criteria
11 of here's what we would like these agreements moving
12 forward to look like. We have worked with our
13 financial group also to put in things on, you know,
14 what protects us from a risk standpoint? If somebody
15 went bankrupt, what would we need to do to protect

16 ourselves? So it's a combination of different
17 criteria that we're putting in place.

18 MR. KENNY DARNELL: In terms of your
19 agreement with the vendor, are you looking at five
20 years, ten years, 20 years with extensions?

21 MS. BUFF CROSBY: I think that's
22 something we're kind of flexibly looking at.
23 Typically we have done 19 year and 30 year, but I
24 think we're kind of looking at -- you know, back to
25 Tom's question, do we look -- how do we say if you're
1 not meeting these conditions, you know, how do we
2 deal with that, at the same time recognizing they
3 need some kind of long-term agreement so they can put
4 their capital investment in so they can depreciate
5 out that cost.

6 So our standards have been 19 years
7 and 30 years. Does it need to be something a little
8 different, we're kind of taking a look at that as
9 well. I think we can be flexible at what meets our
10 needs and what meets the operators' needs.

11 FACILITATOR JOANN LAVENDER: Any other
12 comments on commercial campgrounds?

13 MR. GEORGE KITCHENS: Just one. Are
14 you also using some federal standard, like National

15 Park Service, to look at producing the revenue stream
16 that you had mentioned as a part of the strategy?

17 MS. BUFF CROSBY: We're kind of
18 looking at everything.

19 MR. GEORGE KITCHENS: Okay.

20 MS. BUFF CROSBY: We have typically,
21 and I'm probably getting into too much detail, we
22 have looked at percentage of gross of revenue. We're
23 not sure that's the right thing to look at.

24 Is there other fair market value that
25 meets our needs and meets that operator's needs as
1 well? 84

2 DFO MS. ANDA RAY: And if you have any
3 suggestions on that, we would love to have it. We
4 have got to get out of the business of looking at
5 people's income statements and IRS statements, that's
6 not our job. We just rely on them to tell us how
7 much money they made, if we even have that agreement.

8 I mean, we have -- that one marina she
9 showed is making \$4 million. You know how much they
10 pay TVA? Zero. There's people making \$20 million at
11 a marine paying TVA a -- I think it's less than
12 \$30,000. That's not right for the ratepayers and
13 it's not right for the Valley. We need help.

14 Percent of gross is what some of the other
15 benchmarking indications are. We were putting that
16 in place since 2000, and it's just causing us issues
17 getting into people's business. So help.

18 MR. JOE SATTERFIELD: I can't help but
19 think, and Buff probably is familiar with this, but
20 we serve around four of the tributary reservoirs and
21 several campgrounds. Some of them are well
22 developed. I think I know where Bill is coming from
23 his comments is that some of them don't have the
24 revenue and don't have the year-around traffic that
25 they might need to do some things.

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1 I can't help but remember that a
2 customer came into my office several months ago back
3 in the spring, one of the commercial campgrounds on
4 TVA property, they were trying to clean up their act
5 a little bit, and this guy said, "I need somebody at
6 TVA I can contact."

7 I said, "Well, what's the problem?"

8 He said, "Well, my camper is there on
9 the site and I have just got my deck built and my
10 steps and my ramp built down into the water, and I
11 haven't been able to use it but three years."

12 So I think the objectives are real

13 good that there needs to be policing of it, or
14 whatever the right terms are.

15 Then I think also there's just a world
16 of room for dispersed recreation on those tributary
17 reservoirs there that's not identified maybe.

18 FACILITATOR JOANN LAVENDER: Okay.
19 Some additional dispersed recreation areas that they
20 can take advantage of. Arthur.

21 SENATOR ARTHUR ORR: Two things. One,
22 I want to applaud you on taking these steps and
23 measures that certainly sounds like a very good
24 endeavor.

25 The second thing is will the revenue
1 that I would perceive is or assume is increased 86
2 revenue from this, would it be segregated and plowed
3 back into these facilities or will it go into the --
4 pardon my ignorance, the greater pot of TVA?

5 MS. BUFF CROSBY: Maybe you should
6 tell us.

7 DFO MS. ANDA RAY: That's a great
8 comment. Why don't you put that up there?

9 FACILITATOR JOANN LAVENDER: What
10 would you suggest?

11 SENATOR ARTHUR ORR: You know, my

12 suggestion would be that it be put back into the
13 recreational needs of TVA and the facilities not to
14 enhance the private owners but the facilities that
15 perhaps don't have a private leasehold with a private
16 owner or private enterprise there but they be plowed
17 into perhaps some of the lesser used facilities and
18 bring them up, their standards up.

19 FACILITATOR JOANN LAVENDER: Great.
20 Thank you.

21 MR. KENNY DARNELL: On Kentucky Lake
22 one of our biggest problems is being an older
23 reservoir we have a lot of those older long-term
24 leases.

25 Consequently, the infrastructure is
1 way past its economic life, and there's little or no ⁸⁷
2 investment being made back into, especially as people
3 see these leases start to expire. I think we
4 probably still have some 99 year leases for a dollar
5 a year or something like that.

6 The most successful operations in the
7 private sector are where people have -- they have
8 developed the condominiums or things of that nature,
9 but their lakefront leases, they like to keep that
10 private. They don't like -- once they get a

11 community going, they don't like a lot of public
12 traffic in and out.

13 We have several state parks though
14 that they are on land that was deeded to them by TVA
15 years ago. So they don't -- they operate very
16 successfully with a percentage. They will bring an
17 operator in and they will prove -- it depends on the
18 contract. They will provide varying amounts of
19 infrastructure, boat slips or campgrounds or
20 whatever, and then will negotiate that with the
21 operator on a fee to recover their investment. That
22 seems to work very well.

23 We maintain higher quality facilities
24 doing that. Plus, the state gets a return on its
25 investment, too.

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1 FACILITATOR JOANN LAVENDER: So would
2 you suggest that TVA consider that?

3 MR. KENNY DARNELL: That would be --
4 you know, if you're looking on the commercial end,
5 you're going to have to have people who are able to
6 put an investment in.

7 In a perfect world you would like to
8 see TVA put a good investment on infrastructure, but
9 everyone is going to have to get some sort of return

10 out of this.

11 FACILITATOR JOANN LAVENDER: So TVA
12 should consider putting in some infrastructure even
13 in commercial marinas or campgrounds?

14 MR. KENNY DARNELL: Perhaps.

15 FACILITATOR JOANN LAVENDER: Perhaps.
16 W. C.

17 MR. W. C. NELSON: I was just curious
18 about what method you used to determine who is
19 awarded the leases and do we have criteria for what
20 they are to perform or how they are to perform with
21 the leasing?

22 MS. BUFF CROSBY: In many of the
23 leases these last few years we have actually put them
24 out as request for proposals, and then we have run
25 those requests through a pretty strict criteria with
1 our recreation specialists management and our CFO
2 financial group.

3 You know, we want to make sure they
4 have the financial wherewithal that they can come in
5 and operate. Do they have any past experience in
6 operating recreational facilities? So they go
7 through a pretty stringent review on these proposals.

8 Years ago, you know, back in the '90s,

9 I'm not really sure how we did that. I think we
10 just -- if we could get somebody to come in and
11 operate those facilities, we entered into an
12 agreement with them, but from here forward we're
13 trying to be more business like in how we look at
14 that.

15 MR. W. C. NELSON: I was curious too
16 about how much demand there are or there is for the
17 leases. Is there a lot of people wanting to enter
18 into the leases or agreements?

19 MS. BUFF CROSBY: We just sent out a
20 request on Guntersville for a campground. We
21 actually -- for us we thought it was great. We ended
22 up with eight proposals, which I think for a
23 campground is probably pretty good.

24 FACILITATOR JOANN LAVENDER: Other
25 comments on the commercial campgrounds and marinas?
1 Do you agree with these objectives? Secondly, do you
2 have any additional objectives?

3 MR. GEORGE KITCHENS: Just one
4 question around RFPs and the leases, whether it be a
5 marina or a campground operation, are y'all getting a
6 lot of indemnification out of these guys to -- you
7 know, we have such a moral litigious society. I hope

8 that we're building into the lease indemnifications
9 that would hold TVA harmless in the event somebody
10 slips on a banana peel at the boat dock and busts
11 their head open.

12 MS. BUFF CROSBY: The answer is yes,
13 very much so.

14 FACILITATOR JOANN LAVENDER: Before we
15 move on to developed recreation --

16 COUNCIL CHAIR MR. TOM LITTLEPAGE: Let
17 me ask one question in terms of additional
18 objectives. In terms of how we talk to the general
19 population, it seems like most of this is involved
20 with an intermediary, you have a commercial operation
21 or contractor.

22 So to what degree is there outreach to
23 individuals and the individual recreators in terms of
24 establishing a level of expectation or establishing
25 the general availability? Is there a component there
1 that talks about recreation outreach and strategies
2 for letting people know where these facilities are,
3 what they should expect out of these facilities? I
4 guess I'm asking that question.

5 MS. BUFF CROSBY: Probably not a lot.

6 COUNCIL CHAIR MR. TOM LITTLEPAGE: Is

7 that appropriate or is that part of -- to what degree
8 is that part of the component of what the
9 expectations are for the individual contractor?
10 Somebody comes in and buys a marina and they
11 advertise their services or aspects of that
12 facility's location.

13 MS. BUFF CROSBY: As far as are
14 they -- is TVA dealing with the public or is
15 that vendor, when it comes to the Joe Blow that's
16 coming to that campground, we're probably not doing a
17 lot of interaction. So if that's an objective you
18 want for us to --

19 COUNCIL CHAIR MR. TOM LITTLEPAGE: It
20 may be something to think about of how do we craft
21 the TVA message to appeal to those recreation users
22 and recognition of establishing standards with regard
23 to what they should see out of a TVA project.

24 MS. BUFF CROSBY: Okay.

25 FACILITATOR JOANN LAVENDER: So some
1 additional standards of how we relate to the public
2 in that regard.

3 Teresa is trying to capture these
4 comments. So if you want to take a quick look before
5 we move on. Of course, she will fix these. It's

6 hard to capture everything, but look to quickly see
7 if there's anything else that needs to be captured.

8 DFO MS. ANDA RAY: I think we missed
9 one, and that was the concern that standards aren't
10 set so high that those with less revenue would have
11 difficulty meeting them.

12 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
13 right. Some kind of economic component.

14 DFO MS. ANDA RAY: Yeah, just concern
15 of the standards.

16 MR. KENNY DARNELL: I think he was --
17 Bill was talking more about having a flexible
18 standard, you know, that would differ from location
19 to location.

20 DFO MS. ANDA RAY: Teresa, it's
21 flexible standards.

22 FACILITATOR JOANN LAVENDER: Flexible
23 standards for different levels of commercial
24 campgrounds.

25 MS. KELLY LOVE: Just quick
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1 interruption unfortunately from the lawyer here. As
2 you guys have looked around, we are at 11 in
3 attendance today, which is a quorum, but as we jump
4 in and out, which everybody is going to have to do, I

5 understand, we are actually going to have to have all
6 11 at the table when we finalize the comments.

7 So as we're looking back through
8 these, let's just make sure we get everybody at the
9 table before we make that vote.

10 FACILITATOR JOANN LAVENDER: Thank
11 you. Okay. Let's move on to developed recreation.
12 Do you agree with the objectives as they have been
13 developed? You can look on your summary page.

14 Comments or questions about developed
15 recreation objectives?

16 Yes.

17 MR. KENNY DARNELL: This would seem to
18 be your most difficult place here where -- if TVA is
19 going to have to maintain some of these developed
20 sites. You already have sites that you maintain and
21 use.

22 What did you learn from operating the
23 campground sites in the Land Between the Lakes that
24 are applicable to these?

25 MS. BUFF CROSBY: I don't know.

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1 MR. KENNY DARNELL: You're not old
2 enough to remember.

3 DFO MS. ANDA RAY: Let me ask -- can I

4 ask a question about what do you -- there is a couple
5 of different ways to go at a model. One is you get
6 some big foundation, Stokeley Foundation, some rural
7 recreation national company, and they come in and
8 they manage all of those 118 campgrounds for TVA and
9 they brand them, like the Jellystone for the Forest
10 Service.

11 There's an option that looks like the
12 Ace Hardware model where they are all independent
13 owners but they create their own camping association
14 and they monitor themselves and create their own
15 performance standards and kind of enforce their own
16 with our help.

17 Then there's the model we have now,
18 which is an unconnected group of independents that
19 may be more familiar with the local area and
20 dedicated to that local investments.

21 Do you have a preference? Have you
22 seen any of those works? Do you think one of those
23 fits better in the Valley than the other? National
24 association or independent with no association?

25 MR. GEORGE KITCHENS: I guess just
1 from my point of view, for TVA to monitor and assure
2 the same level of quality across the Valley that it

3 would sort of drive us toward that national
4 association approach, the Jellystone model or
5 whatever, but I also understand and appreciate the
6 value of having those local independents involved
7 that gets to know their campers on a first-name basis
8 and welcome Bob and Mary back every summer.

9 DFO MS. ANDA RAY: And on those
10 national ones, don't they hire local folks to
11 monitor?

12 MS. BUFF CROSBY: Most of them they
13 do, yes. They fit under their umbrella, but they
14 will have, you know, their own uniforms, their, you
15 know, vehicles and all of that, but they call them
16 campground hosts or managers would be the locals.

17 MR. GEORGE KITCHENS: I haven't been
18 an active camper in a while, but I have been in
19 Jellystones and KOAs and Good Time Sam program parks
20 and, you know, it's nice from a camper's perspective
21 to know what to expect when you pull into one of
22 those operations. You know how they are going to be
23 run. You can be reasonably assured that the
24 bathhouse is going to be tidy and that kind of thing
25 and the campground is going to be reasonably well
1 maintained. So, you know, that's sort of what I

2 would like to encourage.

3 FACILITATOR JOANN LAVENDER: Let's
4 make sure that we have, that they can rely on that
5 expectation of a certain level of standard or
6 accommodation.

7 MR. GEORGE KITCHENS: It's like the
8 Triple A Five Diamonds or whatever.

9 FACILITATOR JOANN LAVENDER: Other
10 comments on developed recreation or suggestions?

11 MR. KENNY DARNELL: Just taking up for
12 the electric company business here, it may be hard to
13 swallow, you know, as you're talking about large rate
14 increases and then you're going to be throwing out
15 signs and stuff and say don't come to this nice,
16 plush TVA campground, then people automatically
17 think, okay, they have raised my electric rate so
18 someone can have a campsite out there.

19 I would venture to say in the future
20 TVA probably will be pulling back more to a contract
21 operations of these things rather than direct
22 operations. I don't know that the one-size-fits-all
23 would be good, but I think the association of some
24 sort with some standard and the ability to come in
25 and say that this does not meet our standards, you

1 know, you will have so many days to correct this or
2 we will have a new vendor in here would be a
3 practical solution.

4 DFO MS. ANDA RAY: Is there a
5 recommendation in that about self-sustaining
6 campgrounds? And that goes back to Arthur's comment
7 about reinvesting funds? Is there a recommendation
8 in there for that? I don't know.

9 MR. GEORGE KITCHENS: I will make it
10 quite honestly just because, you know, in looking
11 out -- and thank you, Kenny, for looking out for our
12 interest.

13 I know I have got a certain component
14 of customers that the most complaints I get are about
15 the waste at TVA. I mean, last spring when TVA's
16 rate increase went into effect we did our first rate
17 increase in ten years concurrent with TVA.

18 Of the correspondence that I got from
19 members, three out of four of the letters were
20 fussing about bonuses for TVA executives and waste at
21 TVA and not fussing at us, which is great from my
22 standpoint.

23 FACILITATOR JOANN LAVENDER: So we
24 have to balance what we do recreation wise, the whole

25 context of TVA's representation.

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1 MR. GEORGE KITCHENS: That was my
2 biggest fear about the branding. If we do a great
3 job and beautiful signage, are folks from the Valley
4 that pay the power bills that perhaps help to fund
5 those signs, are they going to be ticked off about
6 it?

7 That's a concern, very legitimate,
8 and, you know, that adds a lot of, you know,
9 substance to Arthur's suggestion earlier that any
10 revenues generated from the commercial camping and
11 boating and restaurant operations be plowed back into
12 this so that it's not a major or greater impact on
13 the power component of TVA's operations.

14 MR. W. C. NELSON: I just wanted to
15 make one comment about the national association. I
16 think there is a place -- I know I am originally from
17 Georgia, but I think there is a place for it and
18 there are some campgrounds that could work under it,
19 but there are a lot of campgrounds that those
20 national associations would never be able to operate
21 profitably, whereby an independent operator would be
22 able to go in and operate it.

23 So I think you could probably use a

24 combination. I don't think the national would work
25 Valley wide. So I would look at it from the
1 standpoint of the larger ones possibly with national 99
2 associations.

3 Like I say, it would be -- we
4 certainly need to set standards that each one has to
5 operate under, and there should be some
6 accountability during the lease to make sure they are
7 performing and have certain language in the agreement
8 that you can enforce.

9 FACILITATOR JOANN LAVENDER: Okay.
10 Different standards in language that could be
11 enforced.

12 Okay. Other comments on developed
13 recreation strategy?

14 MR. KENNY DARNELL: I think you could
15 do sustainable and make these things sustainable
16 outside of TVA with a combination like W. C. is
17 talking about there. I think it's going to be
18 important down the road that TVA not be seen as
19 spending, you know, utility dollars on these types of
20 operations.

21 Plus, you get an additional benefit
22 over your vendors and you should be able to get some

23 of you get more control of your vendors and you
24 should be able to get some positive -- you know, it
25 should be a positive thing to the public to see that
1 TVA is taking this action to not use ratepayers' 100
2 dollars for campgrounds and things of that nature.

3 The public sector, I believe, is
4 strong enough and your properties are unique enough
5 that they will sustain themselves.

6 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
7 right. So are we talking about a model that says
8 each facility is self-sustaining or maybe some
9 project-by-project approach or some delineation of
10 how you may have campgrounds that have been alluded
11 to that are not as profitable, and so if they are not
12 self-sustaining, do we just eliminate them or do we
13 continue to provide those opportunities and fund them
14 as -- out of the profits of other ones?

15 MR. KENNY DARNELL: Yeah. I think you
16 would sustain them by looking at TVA's investment in
17 each facility and then assigning -- you know, get
18 your vendors in on a fee basis that would capitalize
19 that investment. If TVA had an area where it had
20 little or no investment in it, then you would
21 probably be looking at a -- you could sustain a lower

22 lease rate.

23 It would also probably discourage TVA
24 from making -- from the need to make greater
25 investments. You would turn that over to the private
1 sector then. The more investment the private vendor ¹⁰¹
2 made in it, you know, the more he would stand to
3 make -- the vendor would stand to make and the less
4 he would have to pay to TVA.

5 FACILITATOR JOANN LAVENDER: So
6 increase the partnerships of the private sector to
7 lower our costs and investments.

8 Other comments on developed recreation
9 or new objectives?

10 COUNCIL CHAIR MR. TOM LITTLEPAGE: How
11 much of this are you talking to the -- how much input
12 are you getting from these groups, trade associations
13 or national companies, in terms of an opportunity to
14 provide input into how they would like to see the
15 world?

16 MS. BUFF CROSBY: We're just beginning
17 to start talking to some folks. We have talked to a
18 couple of outfits, one that manages a lot of Forest
19 Service groups, and they are actually a
20 not-for-profit group that manages some of the

21 campgrounds. They take their revenue and they plug
22 it back into natural resource education. There's
23 another group that does it, you know, for several
24 different -- the Corps of Engineers, National Park
25 Service and the Forest Service.

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1 So we're just beginning those talks to
2 see what they do, how they do it, how successful are
3 they, would it be a model that would fit into the
4 Tennessee Valley.

5 FACILITATOR JOANN LAVENDER: So would
6 you suggest, Tom, then that we investigate those?

7 COUNCIL CHAIR MR. TOM LITTLEPAGE: Get
8 their vision of what they would see as a model that
9 they would like to operate under just to kind of
10 bounce off, you know, the approaches that we have had
11 and to what degree there may be compatible objectives
12 in terms of how you define profitability and
13 sustaining a level of capital reinvestment that they
14 may be willing to make to keep facilities updated, as
15 well as oversight by TVA in terms of this reviewing
16 the books or determining a cost view or a contract
17 vehicle mechanism.

18 FACILITATOR JOANN LAVENDER: Okay.
19 Let's move to this first group of dispersed

20 recreation. I'm sorry. Go ahead, Mike.

21 MR. MIKE GOODMAN: That's okay. To
22 sort of echo what George said, I don't envy your
23 position. You have got a balance to keep.

24 From an industrial background and from
25 the direct-serve people, make sure that you balance
1 the -- you have got an opportunity to maybe -- we ¹⁰³
2 have talked about being -- generating the funds to
3 keep these up.

4 When we get rate increases and we go
5 back to the Board of Directors and they say, why are
6 your profits not here, we need to tell them that --
7 we need to make sure that this doesn't get tied in
8 with, well, we have got all of these recreational
9 things happening out here.

10 If you're looking at the bottom line,
11 if you can, keep your power separate and use this
12 opportunity to say, you know, we're taking these
13 funds and we're making this -- it's another
14 opportunity for the Valley but we're not charging you
15 guys to pay for this recreational aspect of it. It's
16 just -- it weighs heavy everyday on our profits and
17 bottom line.

18 DFO MS. ANDA RAY: I appreciate that.

19 I was just asking to make sure I clarified. When TVA
20 lost appropriated funds we're directed to use power
21 funds at an equal level of when it was stopped, when
22 we lost appropriated funds, which is in the -- it's
23 in the 90 to \$100 million. So that much has to go
24 into a central stewardship. That doesn't mean
25 developed recreation.

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1 So what I hear you're saying is does
2 the central stewardship include some of the
3 navigation work, some of the natural resource
4 management and stewardship?

5 So I appreciate what you're saying.
6 Any new initiative, don't look like it's on top of
7 that required amount and on top of a rate increase.
8 Okay. I was just clarifying his comment.

9 FACILITATOR JOANN LAVENDER: Thank
10 you. George.

11 MR. GEORGE KITCHENS: Just to sort of
12 echo on Mike's comment, I got beat up last week by
13 some very polite Japanese gentlemen that had just
14 done a significant plant expansion in our area.

15 The October 1 increase means about a
16 \$2.3 million increase in their energy bill, and they
17 are one of your great high load factor-type

18 customers. I have got others that were impacted even
19 to a greater extent. So this is important stuff
20 we're talking about here.

21 So if any of you get the opportunity
22 to get fussed at by very polite Japanese people, that
23 is a nice way to go.

24 FACILITATOR JOANN LAVENDER: Other
25 comments on developed recreation?

105

1 Okay. Let's move to dispersed
2 recreation. Are you in agreement with these
3 objectives? Any additions or new objectives?

4 Kenny.

5 MR. KENNY DARNELL: I think you're
6 going to have to put an exclamation mark after the
7 last one there with the existing partnerships and
8 seeking additional partnerships because when you
9 don't have the remedial action and protection that
10 becomes costly.

11 Also, you know, you're looking at
12 policing and you're looking at construction, and
13 those are great opportunities to involve county
14 governments and special interest groups that would
15 have interest in the cultural assets.

16 FACILITATOR JOANN LAVENDER: So

17 emphasize the last one about existing and new
18 partnerships.

19 Other comments on dispersed
20 recreation?

21 COUNCIL CHAIR MR. TOM LITTLEPAGE: Is
22 there an opportunity -- I know that a lot of civic
23 organizations, scout troops and those kinds of
24 things, get involved in hiking trails and maintains
25 those.

106

1 Is there like an adopt-a-mile kind of
2 concept where they can be recognized for their effort
3 and sort of take ownership of a particular area?

4 MS. BUFF CROSBY: That may be a really
5 good opportunity to put up there for us that maybe
6 it's a program we start, you know, adopt a whatever.

7 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
8 right. Adopt a trail.

9 MS. BUFF CROSBY: Adopt an acre.

10 FACILITATOR JOANN LAVENDER: Adoption
11 programs.

12 COUNCIL CHAIR MR. TOM LITTLEPAGE: And
13 that may be a way for them to accomplish some of
14 their outreach activities and goals that they have
15 within the individual organizations.

16 MR. DON ANDERSON: And let me insert
17 that that's a greater way of getting the abuse and
18 overuse message across when you've got somebody
19 taking some local ownership interest.

20 FACILITATOR JOANN LAVENDER: Other
21 comments?

22 Okay. We want to make sure that these
23 comments -- that you agree with these. We don't have
24 everyone in the room. What do you recommend?

25 MS. REBECCA TOLENE: We can handle
1 this a couple of different ways. We could wait and 107
2 after we answer the questions tomorrow on the other
3 issues review all of this and do it at one time. I
4 can just run out and round up whoever is out there.
5 It's whatever you guys want to do.

6 COUNCIL CHAIR MR. TOM LITTLEPAGE: Who
7 is leaving tomorrow? Is anybody not going to be here
8 tomorrow of this group?

9 MR. W. C. NELSON: I have got to leave
10 early.

11 MS. CAROL DOSS: I have got to leave
12 early.

13 MS. VICKIE ELLIS: We have one more
14 coming tomorrow.

15 MS. REBECCA TOLENE: Okay. Our
16 additional option to that, let me throw this in now,
17 we could after -- for tomorrow's questions, to the
18 extent that Carol and W. C. are not here, we could go
19 ahead and discuss those and come up with the
20 remaining people's recommendations, but that would
21 have to be carried over to the next Council to get a
22 vote on whether that advice could go to the Board.

23 So maybe we could squeeze in as much
24 as we can while you're here and take a vote on that
25 and get that official, and then we could carry that
1 over to the extent we need to. 108

2 Do you want me to go round up the
3 troops?

4 COUNCIL CHAIR MR. TOM LITTLEPAGE: We
5 had talked about a break about now. Maybe we could
6 have a break and then as we get together and start to
7 round up for the trip that that could be the last
8 thing that we could do, if that's agreeable, kind of
9 look at this, have a chance to review this during the
10 break, and then stamp it based on what we have done
11 this morning, any problems with that?

12 FACILITATOR JOANN LAVENDER: Okay.
13 What's the time for our break?

14 COUNCIL CHAIR MR. TOM LITTLEPAGE: I
15 guess we're about 15 minutes behind schedule now. So
16 maybe about a ten-minute break or something.

17 (Brief recess.)

18 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
19 right. We're going to gather back together. If I
20 could ask you all to take your seat. We're going to
21 wrap up the collection of comments.

22 Did anybody have anything to add
23 before we sort of wrap up this session?

24 Jean.

25 MRS. JEAN ELMORE: I have just one 109
1 question. If TVA is to monitor so that there is a
2 standard, where are those funds going to come from?

3 FACILITATOR JOANN LAVENDER: Okay.
4 Where does the funding come from if TVA monitors the
5 standards which we're not doing now?

6 MRS. JEAN ELMORE: Right.

7 FACILITATOR JOANN LAVENDER: I don't
8 know if you heard that question. Where would the TVA
9 funds come from if we start monitoring these
10 standards because we're not currently doing that?
11 It's a good question.

12 DFO MS. ANDA RAY: Good question. I

13 think your comment is we need to relate that to
14 raising the rates, you know, where is that money
15 going to come from because if TVA starts
16 monitoring --

17 MRS. JEAN ELMORE: Is it going to come
18 from fees that are generated from -- that are not
19 being charged at this point or, you know, how are
20 those people going to be paid?

21 DFO MS. ANDA RAY: So monitoring
22 security, maintenance, capital, I think we have got a
23 lot of questions on what are we going to do with
24 that.

25 COUNCIL CHAIR MR. TOM LITTLEPAGE: The
1 bells and details. 110

2 MR. KENNY DARNELL: On dispersed
3 recreation, at least in our area, we have a lot of
4 commercial recreation and developed recreation
5 already through the private sector. Dispersed
6 recreation is very important for us, the informal use
7 and the wild spaces, and we would like to keep as
8 much as of that as possible.

9 FACILITATOR JOANN LAVENDER: Okay.
10 Keep as much wild space as possible.

11 MR. KENNY DARNELL: That is a nice,

12 low cost recreational asset right there.

13 FACILITATOR JOANN LAVENDER: Keep as
14 much as possible. What we're going to do is --

15 MR. BILL FORSYTH: I would just like
16 to say that when you get to rural areas we have got
17 all the dispersed we can handle. We could use a
18 little more developed.

19 MR. KENNY DARNELL: That's why I
20 qualified it.

21 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
22 right. What we're going to do is -- I'm sorry. Were
23 you done?

24 FACILITATOR JOANN LAVENDER: Yes.

25 COUNCIL CHAIR MR. TOM LITTLEPAGE: All
1 right. Basically we're going to take these and just
2 think about what we have talked about here. And if
3 you would on your -- in your notebook there's a tab
4 called discussion tab, discussion questions, I'm
5 sorry, take a look at those very briefly.

6 In the interest of time we're going to
7 go ahead and head out to begin the tour and to grab
8 lunch. I know some people are getting anxious that
9 we're messing that process up a little bit, but look
10 at these and then tomorrow morning early we're going

11 to review this and make sure that we have got a
12 quorum established to meet the legal requirements
13 that we have to meet and adopt what we have
14 discussed.

15 Then during the tour today, think
16 about these questions because essentially this
17 becomes the more difficult aspect for TVA or any
18 other organization is how do you begin to convey what
19 may be construed as negative messages or telling
20 people, no, you can't do things, you know, think
21 about those aspects of environmental stewardship and
22 management that not only TVA has but any agency that
23 has a public trust responsibility to handle.

24 So is there anything else you want to
25 say about the questions here, anything in general?

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1 MS. VICKIE ELLIS: We will give them
2 the written copy tomorrow of what we did today for
3 their approval.

4 COUNCIL CHAIR MR. TOM LITTLEPAGE: So
5 it's important that if you have not said you're not
6 going to be here tomorrow, it's important for you to
7 be here tomorrow or let us know what your travel
8 plans are because we're right at the border of the
9 quorum issue that's required under our Charter.

10 So with that, is there anything else
11 we need to know in terms how we're going to do this?
12 Are we just going to gather here?

13 MS. BETH KEEL: The vans are out
14 front. There are four vans. So you can divide up
15 and you don't have to -- we have our drivers there.
16 We have a tour booklet in each van which will tell
17 you where you're going to go and a little bit about
18 that.

19 So when you're ready here, we will ask
20 you just to go right out to the vans and we'll have
21 the drivers ready to go.

22 COUNCIL CHAIR MR. TOM LITTLEPAGE: Are
23 we coming back here if we need to get our books or
24 anything?

25 MS. BETH KEEL: We anticipate the tour
1 will take pretty much the rest of the afternoon and
2 probably we will finish about 4:15 or 4:30. So with
3 regard to mentioning tomorrow's schedule, perhaps we
4 could do that just briefly now, you know, with regard
5 to the time and so forth because I don't think we
6 will come back here, we will take you back to the
7 hotel and give you time to change for dinner.

8 COUNCIL CHAIR MR. TOM LITTLEPAGE: And

9 that is an important point. Tomorrow we start at
10 8:00. This morning we began at 8:30. So we have got
11 a pretty full schedule tomorrow. We have got some
12 people that have to leave early. So I would ask you
13 to help us be here right at 8:00 so we can begin.

14 The quorum as established under our
15 Federal Charter for the Stewardship Council is 11.
16 It's not a majority of who is present or anything
17 like that. So it's a statutorily based requirement
18 that we have to meet.

19 If we don't meet that, essentially our
20 recommendations cannot officially be conveyed to the
21 Board as official. So it's important that we meet
22 that quorum requirement.

23 DFO MS. ANDA RAY: So we will vote on
24 these tomorrow. You will approve these tomorrow.
25 Hopefully 11 will be here the first thing in the
1 morning. We will try to do as much as we can before 114
2 anyone has to leave because we are sitting at 11
3 people.

4 So if anybody walks out of the room
5 when we're voting, we can't pass this along to the
6 Board. We really need to get your violations and
7 encroachments so we can move forward in fiscal year

8 '09 which started last week.

9 Thank you.

10 END OF FIRST DAY

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