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DRAFT MINUTES

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

BOARD OF COMMISSIONERS
AUGUST 25, 2009

The Henderson County Board of Commissioners met for a special called meeting at 7:00 p.m. in the Commissioners' Meeting Room of the Henderson County Historic Courthouse.

Those present were: Chairman Bill Moyer, Vice-Chairman Charlie Messer, Commissioner Larry Young, Commissioner Mark Williams, Commissioner Chuck McGrady, County Manager Steve Wyatt, Planning Director Anthony Starr, Planner Autumn Radcliff, County Attorney Russ Burrell, Engineer Marcus Jones, PIO Intern Christy DeStefano and Deputy Clerk to the Board Amy Brantley.

Present from Polk County were: Vice-Chairman Warren Watson, Chair Cindy Walker. County Manager Ryan Whitson, Clerk to the Board Anne Britton, Attorney Thomas Hix, Engineer Dave Odom, Planning Director Cathy Ruth, Commissioner Ray Gasperson and Commissioner Renee McDermott.

Absent were: Assistant County Manager Selena Coffey and Clerk to the Board Teresa Wilson.

CALL TO ORDER/WELCOME

Chairman Moyer called the meeting to order and welcomed all in attendance, stating that the purpose of the meeting is a Public Hearing with respect to a request from Polk County in regards to the Green River Watershed (Proposed Lake Adger Intake).

Chairman Moyer noted that on September 1, 2009 at 3:00 p.m., the Henderson County Water Supply and Distribution Task Force will meet for purpose of public comment on all water issues affecting the Southern end of the County. The task force was formed by the County in conjunction with the City of Hendersonville and other municipalities. There are representatives from agriculture, business, and a water engineer. This committee looks at various issues and determines what recommendations should be made to the municipalities and the county.

THE GREEN RIVER WATERSHED (PROPOSED LAKE ADGER INTAKE)

Planning Director Anthony Starr provided the following information via a power-point presentation.

Background Facts on Public Water Supply Watersheds:

- All land is located within a watershed.
- 20% of NC lands are classified as being within water supply watersheds.
 - Water supply watersheds are sources of water for drinking, culinary or food processing purposes.
- Henderson County currently has 5 regulated watersheds.
 - Approximately 48,121 acres total

Who Regulates these Water Supply Watersheds?

- Henderson County regulates the water supply watersheds through zoning.
 - Henderson County adopted its ordinance in 1994 as required by State and Federal law.
- N.C. Department of Environment & Natural Resources (DENR) sets base regulations for local governments to follow & is responsible for classifying a water supply watershed as stated in the Water Supply Watershed Protection Act.
- The County does not determine or set the water supply watershed boundaries or classifications.

Facts on Proposed Green River Watershed:

DATE APPROVED:

- Lake Adger Watershed contains 87,470 acres.
 - 36,825 acres in Polk County
 - 50,645 acres in Henderson County
- Reclassify 50,645 acres in the Green River and Hungry River areas to a WS-III watershed.
 - Approximately 21.09% of Henderson County (There are approximately a total of 240,100 acres in Henderson County)

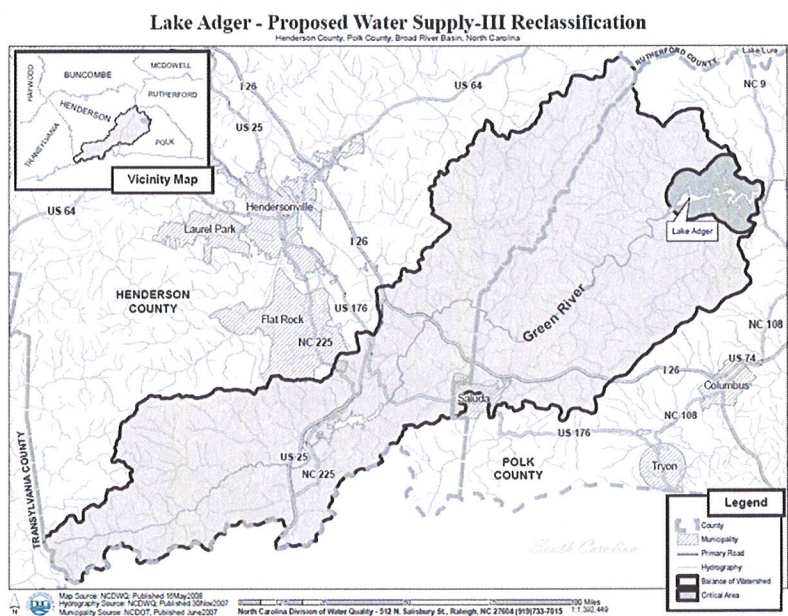
WS-III Watershed Allows:

- Allows agriculture and silviculture uses.
- Allows single-family residential uses.
 - Minimum lot size of 20,000 square feet (0.46 acres or just less than ½ acres).
 - Most of the affected area currently requires 1 acre or more per County zoning.
- Allows multifamily & nonresidential uses
 - Maximum of 24% built upon area (or 70% built upon area with a special intensity allocations (SIA)).
 - Built upon area includes pavement, buildings & gravel.
 - Current County rules limit built upon area to 80% of a development site.

One of the more significant changes for Henderson County would be that the limit on that impervious surface or built upon area would go from 80% to 70% for multi-family and non-residential uses. They would only be allowed if the underlining zoning for that area permits those uses in the first place.

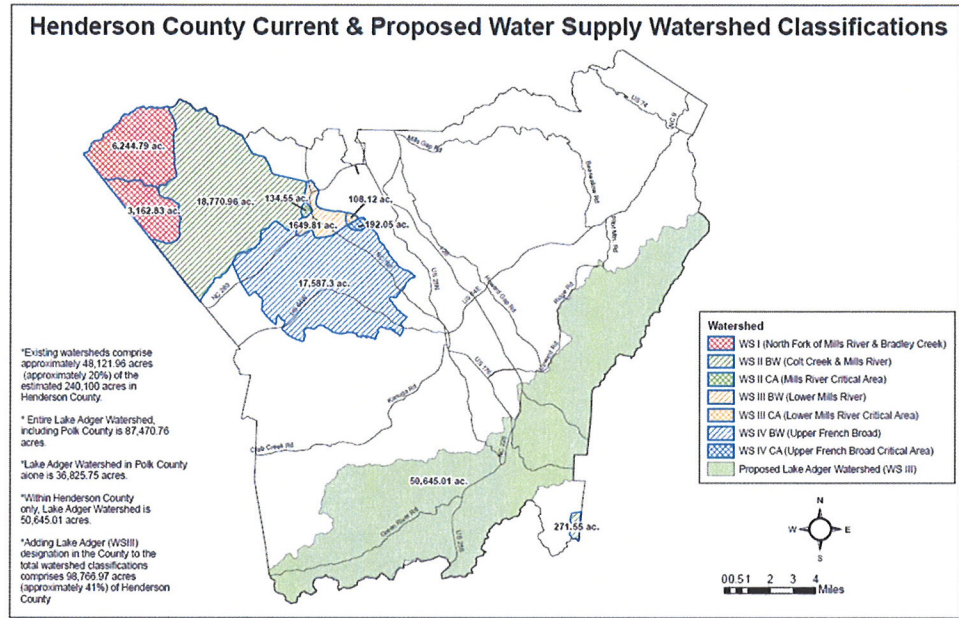
The following is a map of the Lake Adger drainage basin as provided to Henderson County by the State Department of Environment and Natural Resources. It includes all of the Green River area in Henderson County, as well as the Hungry River area extending up into the Green River Game lands and as far west as the Transylvania County line and the South Carolina State line on the south. It includes a very small portion of the Village of Flat Rock and some part of Saluda.

Public Hearing on Green River Watershed



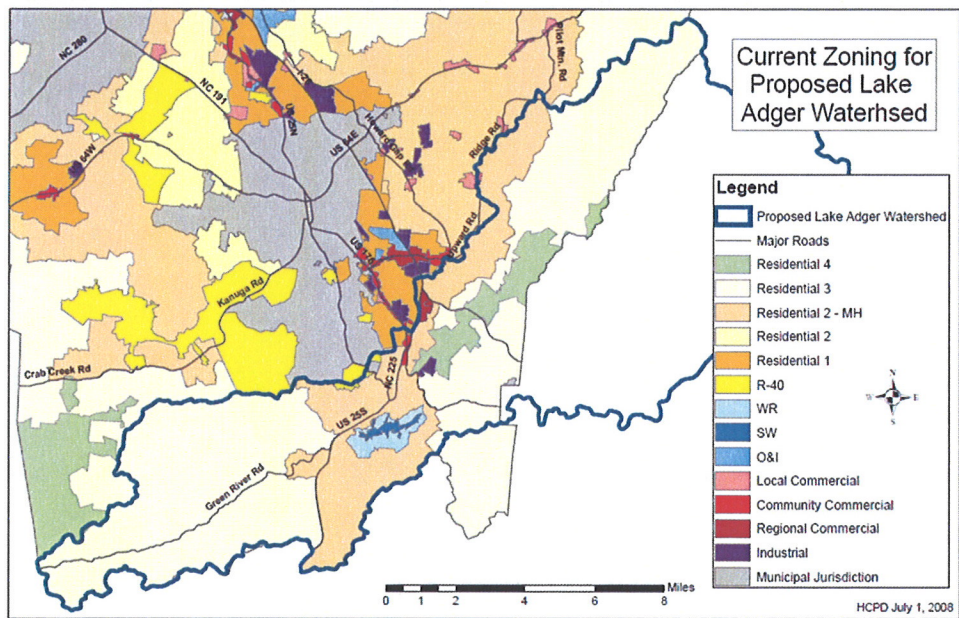
The following map includes current and proposed water supply Watershed regulations. The upper left hand side of the map reflects our current regulated areas for water supply. These are for the Asheville and Hendersonville water intakes. The lower right hand green area is the proposed Watershed as given to us by the State of North Carolina.

Public Hearing on Green River Watershed

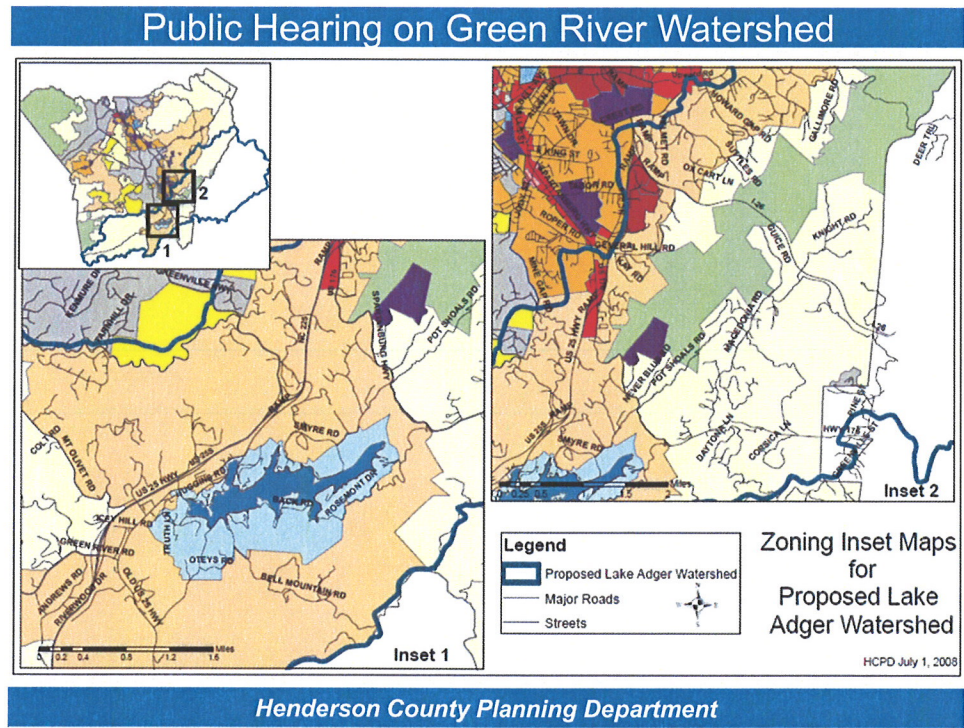


Henderson County Planning Department

Public Hearing on Green River Watershed



Henderson County Planning Department



Chairman Moyer questioned if Watershed III would have any regulations with respect to use of streams or lakes.

Mr. Starr responded that he did not believe the use of lakes was regulated. It does include set-back requirements for streams at 30 feet. He does not feel that use of Lake Summit would be impacted.

County Manager Steve Wyatt asked when speaking of use if they were talking about recreational.

Chairman Moyer responded yes.

Mr. Starr stated that these requirements are limited to development activity and do not regulate recreational use as far as he knew.

Chairman Moyer questioned if you have a multi-family use situation now that could not be built under the Watershed III classification, are they grandfathered or how would they be dealt with.

Mr. Starr responded that if a multi-family project is allowed it has to be permitted by our underlying zoning regulations. It will allow a multi-family project but will limit the impervious surface limit and building on the site in a more stringent way. It will go from 80% limit to a 70% limit. If the project were completed five years ago it would be grandfathered.

Commissioner Williams questioned if this were so during special intensity allocations only; otherwise it would be 24%.

Mr. Starr responded this was correct. The special intensity allocation is allowed for up to 10% of the drainage basin with the jurisdiction. For Henderson County this would be approximately 5000 acres which could be developed up to the 70%.

POLK COUNTY GOVERNMENT

Polk County Commissioners' Vice-Chairman Warren D. Watson presented Polk County issues. A copy of the issues is included in form of a letter which is attached hereto and incorporated as part of the minutes.

Chairman Moyer stated the one issue he felt was different from what had been discussed was if Henderson County did not endorse WSIII, Polk County would go back and request WSIV even though the State has told them they cannot.

Mr. Watson stated this would be Polk County's intent. Speaking for the Polk County Commissioners', they feel with the WSIII, Henderson County is protecting the Watershed and therefore Henderson County should have some potential benefit from it. With the WSIV, the Watershed would be in Polk County which is what they requested initially.

PUBLIC COMMENT

1. Larry Rogers – Mr. Rogers's comments were based on the possible loss of the Green River Water Basin. He was speaking on behalf of the Henderson County Partners for Economic Progress. They are against allowing the Green River water basin to be taken over by an adjoining county. We will lose the ability to control the development of our land and the full use of our second largest river. We have already felt the sting of betrayal for allowing an outside government to come into our county and talk us out of the water from our largest river, the French Broad. He stated that earlier today the City of Asheville reneged on all aspects of the contract they signed, and told Henderson County they owe us nothing for the water they pump out of our county. The City of Asheville said we should be thankful they let us purchase small amounts of our water back from them during last year's drought, and we should be thankful that the Asheville Airport is nearby for our use. The Partners for Economic Progress suggest that Henderson County immediately claim the Green River basin and Lake Summit as our drinking water reserve and reservoir. Henderson County should not allow another County to walk in and take our water. There have been contracts that have lost their meaning after the ink dried.
2. Robert Ballard – Mr. Ballard is the President of Green River Community Association (GRCA). GRCA expressed concerns about Polk County's acquisition of Lake Adger and how it will affect the resident landowners. GRCA is aware that the State has given Henderson County and Polk County the option to work out the details relative to watershed classification. It is their understanding that the newly created water task force is currently looking into the ramifications of watershed classifications, and that Polk County has no plans to market the resource of water to any other municipality. However there are three towns within the boundaries of Polk County; Saluda, Columbus and Tryon, and because they are not participating or having any inclinations to use Lake Adger water, GRCA questions Polk County's motives. He feels that current water resources in use are sufficient for Polk County's needs and the commercial sale of water to other municipalities, possibly outside of the state, seems to be the motivating source in Polk County's agenda. The Green River landowners ask that the utmost consideration be given when discussion about these resources are undertaken. GRCA requests that if any agreement is reached with Polk County whereby revenue is created through the sale of water from Lake Adger, that these

revenues are shared with Henderson County and a percentage be set aside in a special fund for the residents of Green River Township. These funds could help fund a park, community center, library or other community project. The Lake Summit Association is concerned about the water that would be dropped off Lake Summit.

3. Terry Maybin – Ms. Maybin is a member of the Board of the Green River Community Association. GRCA has spent many hours on this issue studying the details and listing to the community. GRCA ask that the Board of Commissioners do what is possible to keep Green River from becoming a ward of the state. They feel there are three possible developments that can occur in the Lake Adger situation. The best possibility is that the classification level III is designated by the state. In this situation, the residents of Green River are unaffected. The next best situation is that if classification level III is required by the state, then the Counties must be given time to reach an agreement that compensates Henderson County and the Green River Community. Wealthy landowners that donate land for conservation protection purposes get tax breaks that ease the pain. If the Green River is classified as level III then some equivalent compensation should occur. This compensation is appropriate because residents will lose local government access to address questions of land and water use. Enormous economic potential would go to Polk County and would forever foreclose certain opportunities in Green River; such benefits should be shared. The worst possible outcome is the imposition of the level III by the state without providing the counties the opportunities to negotiate. In this situation all of the gains go to Polk County and all of the losses go to Henderson County and Green River Community. Whether one gallon per day or two million per day are pumped from Lake Adger, the impact on Green River is the same. A recent experience heightened our concern about state control. The GRCA invited the Department of Water Quality to address our community and educate our people of the water rules and they turned us down. GRCA asks for the Boards support and they in return will keep Green River clean for another two hundred years without the state showing them how.
4. Barbara Head – Ms. Head presented the Board with a petition signed by 283 people from the Green River Community which had been prepared by the GRCA concerning discussions by Henderson County and Polk County Commissioners about the Green River Watershed being defined as a Class III Watershed. GRCA has learned that Polk County has two water sources already. GRCA would like to see Green River classified as a class IV, then Polk County would only have jurisdiction to our County line. We should have control of what we have diligently protected for all these years to benefit our heirs.
5. Shannon Baldwin – Mr. Baldwin provided a couple of questions and requested answers after the hearing. He would like to know the intent of Polk County to facilitate inner connection among the municipalities in Polk County, and the role that Polk County would play in that process. He would also like to understand if there is a water distribution plan for the areas that Polk County wishes to bring water to first and in what priority.
6. Mark Stierwalt – Mr. Stierwalt felt that the biggest issue is the possibility that we are going to be sharing our resources and having limitations placed on our county. Currently our Zoning Board of Adjustments is our appeal board and we can get an answer for or against, that right will be taken away. As Polk County says it is their intent not to sale water to anyone outside of the county, he would like to see an agreement with the county that if in the future they do decide to

sale water to someone else a profit percentage based agreement be put in writing now and confirmed.

7. Gorann Brooks – Ms. Brooks lives in Tuxedo. She is in favor of the plan for a reliable water source.

Planning Director Anthony Starr answered questions from the Board in regards to the difference in classification between WSIII and WSIV.

Chairman Moyer asked if Polk County goes ahead with WSIV classification rather than WSIII, if it would have zero impact on the ability of Polk County to take the same amount of water from the Green River basin and from Lake Adger.

Mr. Starr responded his area of expertise lies with the water supply watershed regulations as to what their input permits may or may not allow. It would limit the regulation of Polk County but he is unaware if they would be further restricted. The classifications chosen by the state, in theory, are supposed to be based upon the existing development patterns within the area that would drain the intake.

Consulting Engineer Bill Lapsley, a member of the Water Supply and Distribution Task Force addressed the Board per request of Chairman Moyer. He did not believe the amount of water that could be drawn per day was affected by the WSIII or WSIV classification.

Warren Watson readdressed the Board regarding questions that came up during public comment.

- 1) Polk County's ability to work with their municipalities - He feels this is a long term goal. Currently each of the municipalities has their own water system and they are collaborating at this time to work together. It is Polk County's hope that in the future a water authority can be formed within Polk County that will allow us all to work together. As the systems get older and the cost of bringing water to the citizens increases due to maintenance and other issues, Polk County will have the ability to offer those citizens a better, higher quality and lower cost of water without negatively impacting our municipalities.
- 2) Is there a water distribution plan – They are in fact working on it. Their intent is to run straight up Highway 9 to the Rutherfordton County line. Currently their line at the Southern end of the County, crosses over the Southern end and runs up Chesney Highway and Highway 9. This is within the Comprehensive Plan being worked on at this time and they have specifically requested a water resource plan which will lay out the back bone of their water system and the infrastructure will be phased in. They do not wish to force people to join on the water system but give them an incentive to do so.

The Board of Commissioners asked several additional questions of Mr. Watson.

Commissioner Messer asked if Mr. Watson knew the formula that the State uses for Watershed classifications to determine how to choose WSIII or WSIV.

Dave Odom responded that he was not aware of any specific formula. It is a function of the development patterns in the discharges that exist within the watershed. If they anticipate a less dense development pattern they require you to pursue the most favorable watershed classification that you can to ensure the best quality of water long term.

Commissioner McGrady noted that Henderson County has been contacted by the City of Saluda in regards to their purchase of a water company that generates water. In the course of the discussions we backed into an understanding of what the municipal uses of water might be from Lake Adger (long term). He did not feel it would make sense to pump water up-hill to Henderson County.

Commissioner Watson believes there is a system of pumps and valves in the line from Tryon to Saluda, and Tryon would actually be a back-up to the Saluda system.

It was noted that currently bids are being accepted to place a water line from Tryon to Saluda.

Chairman Moyer understands these lines are being characterized as emergency backup in case of dry situations.

Commissioner Young questioned Polk County's relationship with the Broad River Water Authority.

Commissioner Watson responded that Broad River Water Authority is in Rutherfordton County, North Carolina and over the years they have lost a lot of customers due to textile plant closings, etc. The Inman / Campobello water system is in Spartanburg, South Carolina and was looking for a new source of water. In order to connect those two systems was to run across Polk County (geographically). Polk County felt in order to protect themselves they needed to own the lines. When they were approached with the idea of running the line across Polk County and agreement was made for Inman/Campobello to construct the lines, deed the lines within the borders of Polk County back to Polk County. The water would be metered from Broad River to Polk County at one county line and from Polk County into Inman / Campobello (Spartanburg, SC) at the other line. That water is sent through on a pass through basis. No revenue or profits are made. This is just a way to facilitate a seller with a buyer. Polk County gained water lines and an agreement to purchase up to 600,000 gallons per day by putting a T on the line and running it up Chesney Highway. We have lots of folks in that area with wells going dry and Polk County knew they needed to address water quicker than a Lake Adger intake would allow. Polk County desired to eventually have an intake on Lake Adger because it is a resource within their county.

Chairman Moyer questioned the water source for the Broad River Water Authority.

Commissioner Watson responded the Broad River and the Green River flows into the Broad River.

Commissioner Young referred to the letter from Polk County, page 4, and noted that Polk County officials have said "No" to significant commercial and residential development. He questioned if they do however intend to sell water to South Carolina.

Commissioner Watson responded that this is not the intent of Polk County. They are purchasing water through the line that crosses their county going into South Carolina. The folks at Inman / Campobello would have to purchase a tremendous amount of water from Polk County to make it feasible for the expense involved. Polk County does not see giving up that much water. They would like to have their own intake with up to 2 million gallons per day.

Commissioner Williams assumed there was a lack of interest at this point from the municipalities due to cost, and felt there would be a great deal of pressure to sell water to subsidize the cost. He questioned what had been done, in terms of feasibility studies from the cost standpoint, to determine the anticipated expense.

Commissioner Watson responded Polk County is purchasing the lake out of their fund balance with no financing. Part of the water plan (comprehensive plan) will allow for Polk County to phase in infrastructure so that when they get a certain concentration of customers it will give them enough revenue to go the next step and invest in the next area of infrastructure. It is not a quick and fast plan, but a multi-year, long term multi-phase plan.

Dave Odom readdressed the Board that this is correct, it is an expensive proposition. Polk County has held discussions in relation to timing and when they would build a plant to be able to efficiently operate it with the revenue stream they have. It was determined that they would need 1,000 customers to effectively be able to operate the plant and cover the revenues of the plant itself. The Board has held several discussions in regards to funding methods for the plant and no decisions have been made at this time. The primary concern is how the plant will be operated without a sufficient revenue stream. The plant construction will not begin until they have a sufficient customer base to operate and break even.

Chairman Moyer requested an update on the structural inspection of the dam that Polk County had said was a condition to moving forward.

Dave Odom responded they have received a seismic study which was one of the contingencies within the contract to purchase. It is currently being reviewed by their engineering firm and they are hoping for a positive outcome. Polk County feels that the dam is in good shape but will need maintenance as it is 80 years old. If the contingencies are not determined satisfactory there are terms in the contract that would allow Polk County to terminate the contract in certain situations.

Ryan Whitson stated that the contingencies in the contract were that Polk County agreed to purchase the dam subject to a seismic study and NCDENR requested that study before negotiations were made to purchase the dam. Subject to the contract, if there are more than \$2 million worth of repairs to be made of the dam the purchase agreement is null and void if the Polk County Board so desires. There is also a "worst case scenario" flood study where water would come over and possibly undermine the dam. They have not received this study to date but expect it any day. In response to a question by Commissioner Young, Mr. Whitson stated that Inman / Campobello put in a 20 inch water line and they have two (2) pump stations that cost about \$500,000 each. Polk County's water line on Highway 9 is a 12 inch line with no pump stations.

Additional Public Comment

8. Carolyn Brown – Ms. Brown stated that other rivers along with the Green River go into the Broad River and she felt if they were getting that much water out of the Broad River they did not need to use the Green River. She feels use of the Green River would greatly impact the agricultural part of Green River and also it would put a lot of restrictions on the farmers in that area.
9. Bill Brown – Mr. Brown questioned the restrictions on Lake Summit. He heard many years prior that Saluda had the right to the water coming out of Lake Summit. He requested clarification on WSIII and WSIV in regards to Lake Summit.

Chairman Moyer stated that he was unaware that Saluda has any agreement to get the water out of Lake Summit. If Polk County gets a WSIV for this project the watershed would be in Polk County only and there would be no classification in Henderson County. A study has not been done on Lake Summit.

August 25, 2009

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At a future meeting the Henderson County Board of Commissioners will decide what they want to put on the agenda and what how they wish to take action.

The Public Hearing was closed at 8:20 p.m.

ADJOURN

Being no further business to come before the Board, Commissioner Young made the motion to adjourn the meeting. All voted in favor and the motion carried.

Attest:

Teresa L. Wilson, Clerk to the Board

William L. Moyer, Chairman

Ryan D. Whitson
County Manager
Thomas N. Hix
County Attorney
Anne Britton
Clerk to the Board
Assistant to Manager



Cindy Walker
Chair
Warren D. Watson
Vice-Chair
Ray D. Gasperson
Commissioner
Renée McDermott
Commissioner
Tommy W. Melton
Commissioner

August 25, 2009

Mr. Bill Moyer, Chairman
Henderson County Board of Commissioners
100 N. King Street
Hendersonville, N.C. 28792

Dear Chairman Moyer and Fellow Commissioners,

In an attempt to clarify any misconceptions or misunderstandings with regard to Polk County's request for a Watershed III (WS-III) Classification, which would potentially affect southern Henderson County, the Polk County Board of Commissioners offers the following comments and clarifications for the Henderson County Board of Commissioners and the Henderson County community.

First of all, it is imperative for Henderson County officials and residents to understand that Polk County officials originally requested a Watershed IV (WS-IV) classification from the State of North Carolina, when deciding to purchase Lake Adger as the future water source for our county of approximately 20,000 residents. It was only at the insistence of State officials that we revised our request to WS-III. The main two reasons Polk County preferred a WS-IV classification were that 1) we were advised by our engineer that the WS-IV classification was adequate for our needs, and 2) the WS-IV would have no impact on water or land use restrictions outside the borders of Polk County. But the State of North Carolina was insistent on a WS-III classification.

Secondly, once Polk was told by the State to request the WS-III classification and to work out any pertinent issues with Henderson County, we held a joint meeting of our respective Boards of Commissioners in an attempt to address some of Henderson County's concerns. A primary

concern was the potential impact of land use restrictions imposed by the WS-III classification on the Henderson County residents within the affected area. In the original draft presented to Polk County officials by Henderson County entitled, "Interlocal Agreement for Sharing Resources on the Green River", it states that the WS-III classification "would greatly affect property owners in Henderson County whose property lies within such proposed watershed". However, it is our understanding that Henderson County land use restrictions already in place are actually stronger than the land use restrictions imposed by the WS-III classification. The WS-III classification would, therefore, impose no more stringent restrictions than those currently in place. At the September 30, 2008 meeting between Henderson County Commissioners and Polk County Commissioners, Henderson County acknowledged that the WS-III classification would allow two housing units per acre of land, double or triple what is currently allowed.

As to Henderson County's ability to change land use restrictions to less stringent requirements in the affected areas, it should be clearly noted that Polk County has no desire to restrict land use in any way in neighboring Henderson County. However, it should be further noted that given the rural nature and steep topography of the subject area, a WS-III classification is unlikely to impact Henderson County residents in the foreseeable future.

Since our initial meeting with Henderson County, Henderson County's draft "Interlocal Agreement", and Polk's subsequent response, a number of questions and concerns have been raised by residents and local media that should be addressed.

It is the hope of Polk County officials that we can alleviate many of those concerns. We emphasize that although Polk County is actively pursuing a watershed classification to protect our rights to remove a limited quantity of up to 8 million gallons per day (MGD) from the Green River, we intend no harm toward the residents of Henderson County, and we believe that our ability to withdraw the specified amount of water from the Green River basin will have no significant impact on Henderson County residents. (See Lake Adger Safe Yield Analysis, September, 2008, prepared by Odom & Associates Engineering, Inc.)

What is the reasoning behind Polk County's request for 8 million gallons per day?

- Obviously, with only 20,000 residents, and with approximately 80% of those residents on well water, Polk County's immediate needs are far from the requested 8 MGD. In fact, the figure 8 million gallons per day was more a product of the negotiations

during our purchase agreement on Lake Adger from its current owner who uses it to generate electricity. As part of the agreement, the current owner will continue to have the right to generate that power. The amount requested was actually determined by its impact on daily lake levels, which would otherwise impact power generation as well as recreation. Our short-term needs will warrant no more than a 1- or 2- MGD treatment plant, even if we were to sell up to 500,000 gallons per day to Henderson County, as we have discussed. We plan to design the plant for expandability, up to the maximum capacity of 8MGD (probably not in our lifetimes).

What is the nature of Polk County's contract with Inman-Campobello Water District, a South Carolina entity, and is Polk County selling water to South Carolina?

- The contract with Inman-Campobello Water District was conceived as a way to connect a willing seller with a lot of unused capacity, Broad River Water Authority (BRWA), with a willing purchaser needing a large quantity of processed water, Inman-Campobello Water District (ICWD). Polk County's role is that of facilitator, not seller.
- Since the only way to connect the buyer with the seller was across Polk County, we were approached by ICWD with a proposal to make that happen. The ICWD/BRWA proposal included providing Polk County with ownership, and thus control, of the water lines needed to facilitate the transaction within our County's borders, at no cost to us. The water from BRWA is metered as it enters Polk County from Rutherford County, North Carolina, and metered again as it exits Polk County into Spartanburg County, South Carolina, into ICWD-owned lines. Thus, Polk County is not selling water to Inman-Campobello Water District, but only facilitating a pass-through, with no revenue or profits.
- The benefit derived by Polk County has been several miles of "free" water lines along the Southeastern area of our County, along with access to a quantity of water not to exceed 600,000 gallons per day from ICWD, from which Polk County can draw water for sale within Polk County, for a period of up to twenty years while we build our water system infrastructure and future water treatment plant near Lake Adger. This was also the reasoning behind the offer of up to 500,000 gallons per day to Henderson County for a period of twenty years running

concurrently with the ICWD/BRWA/Polk County Agreement. It is not our intent to sell water from our future Lake Adger intake to South Carolina.

Why is Polk County purchasing Lake Adger for use as a water source?

- As stated above, approximately 80% of Polk County's residents currently use wells for their source of water. With changing weather patterns and three droughts during the past several years, and more droughts predicted by meteorologists, Polk citizens have concerns about wells running dry with no other available water source. Many wells have already gone dry, and we are trying to address that with the ICWD water. Other concerns include potential ground water contamination resulting from improperly built older wells, septic drain fields, chemical fertilizers and other agricultural use, landfill seepage, and other sources.
- In 2007, the Polk County Board of Commissioners made it a priority to begin work on our long-term goal of providing a dependable and high quality source of public water for our citizens. After six months of negotiations, in April 2008, the Polk County Board of Commissioners agreed to purchase Lake Adger. During that same time period, we also embarked on a two-year Comprehensive Plan based on a county-wide survey of residents. The Plan, entitled Polk County 20/20 Vision Plan, incorporates a comprehensive water plan for Polk County which includes phased infrastructure and an eventual water treatment plant near Lake Adger.

What does Polk County plan to do with access to such an abundance of available water?

- Opponents of Polk County's requests to harness the primary water resource within the boundaries of Polk County by purchasing Lake Adger and building a water treatment plant to process some of that water for use by county residents as a safe and reliable present and future water source, have opined that "it is possible for Polk County to attract significant commercial and residential developments or to sell water into South Carolina." Although on the surface this statement would appear to have some merit, in reality, Polk County residents and Polk County officials have said "No" to significant commercial and residential development.

- As referenced earlier, Polk County is in the midst of a two-year countywide Comprehensive Plan, including land use and water resource planning. This plan, the Polk County 20/20 Vision Plan, has been guided by a countywide survey whose respondents overwhelmingly requested that we maintain the County's rural character, and the small-town charm, that we focus on protecting our natural resources, our ridgelines and mountainsides, and that we promote agricultural interests, our equine industry, eco-tourism, viticulture, and other economic development pursuits, consistent with the primarily rural nature of our county. We aim to do just that. But even keeping our county a healthy rural county requires a reliable source of water.

- From the beginning, since our previous Board of Commissioners began negotiations to purchase Lake Adger, it has been the goal of the Polk County Board of Commissioners to secure a reliable and safe source of water for the citizens of Polk County into the next century. Our current needs, with or without the participation of any of our municipalities, are still low at present. However, we feel that it is prudent to give incentives for as many residents as possible to join our public water system and stop depending on potentially unreliable wells that could fall victim at any time to severe drought or contamination. One of our municipalities runs its entire system off of well water, and we feel the need to provide them with an affordable alternative if future needs arise. In addition, small municipalities struggle to maintain their systems and are facing increasing financial pressures to collaborate in an effort to provide a more affordable and higher quality water source. With the purchase of Lake Adger, and the future water treatment plant, Polk County will have the ability to provide for those needs.

It has been stated that "access to Lake Adger as a water supply resource provides great potential financial benefit to Polk County government and residents." Does Polk County intend to use Lake Adger water as a revenue source to enrich the County or its citizens?

- Polk County is purchasing Lake Adger for one reason: to obtain a long-term sustainable water source for the citizens of Polk County. Although Lake Adger water may be viewed as a potential financial resource for Polk County, it can also be viewed equally as a great financial responsibility and liability. Part of the purchase of the water in Lake Adger includes ownership of an 80-year old dam. With ownership of that dam comes the responsibility of dam maintenance. Power generation is not a revenue source for Polk County under this

agreement. The power generation capacity of the Lake Adger dam was leased back to the seller for a nominal amount, as a financial incentive during contract negotiations.

- The real benefit is not financial at all. Water is, first and foremost, a public health and safety issue in Polk County. As a result of this purchase, many citizens will be able to have an affordable and reliable water source and many citizens will be able to cease their dependence on old and potentially unreliable wells. Since Polk County taxpayers are heavily subsidizing the installation of auxiliary water lines as an incentive to encourage volunteer participation in our water system, financial gain is obviously not our primary objective.
- One might surmise that given the financial burden associated with the water system, as we have previously described, that Polk County may have even more incentive to sell water to South Carolina. However, one of the additional financial burdens would actually come from committing to sell a significant amount of water (beyond our initial 1- to 2-MGD plant capacity) to an outside entity due to the huge expense of expanding the capacity of our future water treatment plant to produce the additional "finished water". Is selling water to South Carolina possible? Of course. Is it likely? Absolutely not!!! In fact, in a recent news article, the Spartanburg Water System has said that it has enough water to last for the next 75 years; it does not seek to buy water from Polk County. Does Polk County expect to profit from the sale of water from Lake Adger? No, we just want to secure access for Polk County's current and future water needs. We see the purchase of Lake Adger and the eventual construction of a water intake and water treatment plant as a prudent course of action to ensure that Polk County's water needs are met into the next century.
- One other fact worth mentioning is that because of Polk County's agreement with BRWA and ICWD, we have actually relieved any perceived pressure for Polk County to sell water to South Carolina. The truth is that ICWD was in need of an additional water source, and BRWA was in need of a large capacity customer due to the loss of many of its former high capacity customers such as textile plants. Our agreement has helped address both of those needs, while providing Polk County with a cost-effective way to provide drought-stricken properties in the southeast area of the county with a quick and reliable source of water, along with some much-needed infrastructure and an opportunity to begin building our own multi-year, multi-phase water system.

By endorsing Polk County's Watershed Designation request, is Henderson County guaranteeing Polk County a certain capacity of water from the Green River or Lake Adger?

- No. The amount of water removed from the Green River basin via Polk's future Lake Adger water intake is determined by several factors, including the contract agreement with the Seller, the ability for the Seller to use Lake Adger to produce electricity, recreation rights of Lake Adger property owners, and State of North Carolina regulatory requirements. Henderson County's cooperation with Polk's request will have little bearing on Polk's water intake capacity. However, Henderson County's cooperation with Polk could result in a future collaboration between the two counties, which would be favorable in the eyes of State authorities, and could potentially provide southern Henderson County with a high quality and reliable water source.
- Henderson County has requested that Polk County provide it with the option to purchase water from Polk County in the future. We are still open to partnering with Henderson County, to the extent that Henderson County's requests are reasonable, realistic, and consistent with Polk County's interests. Polk County officials believe that notwithstanding the political pressure surrounding this issue, Polk and Henderson Counties' respective Boards of Commissioners can negotiate a mutually beneficial agreement. Polk officials do empathize with the concerns of Henderson County officials and residents with regard to these sensitive issues.

Other questions and concerns have arisen in community meetings, editorials, and at Commissioner Meetings. Many of those questions and concerns could be resolved in the process of negotiating terms of Henderson County's proposed draft, "Interlocal Agreement for Sharing Water Resources on the Green River".

The Polk County Board of Commissioners has attempted to convey our intentions with regard to the purchase of Lake Adger and the desire to withdraw water from Lake Adger for the use of the present and future residents of Polk County. We can assure you that we have no hidden agendas, no desire to control land use or water use in Henderson County, and we feel that Polk County's future water intake on Lake Adger has the potential to benefit the citizens of both Polk and Henderson Counties. Polk County has made a good faith effort to cooperate and collaborate with Henderson County in an effort to share these water resources. However, time is of the essence for Polk County in this endeavor.

Therefore, the Polk County Board of Commissioners respectfully requests the cooperation of the Henderson County Board of Commissioners by endorsing Polk County's WS-III Designation request with the State of North Carolina.

Please be advised that in the absence of this endorsement, Polk County intends to pursue the WS-IV designation with the State of North Carolina, as it originally did, which will, in essence, relieve Polk County of any further obligation to negotiate future water sales to Henderson County. And, of course, this Board cannot predict the demeanor or intentions of future Polk County Boards to collaborate with Henderson County on water issues.

However, in the spirit of friendship and goodwill, the Polk County Board of Commissioners wishes to assure the citizens of Henderson County and the Henderson County Board of Commissioners that regardless of the outcome of this endeavor, the current Polk County Board of Commissioners will not hinder any future attempts by Henderson County to withdraw reasonable amounts of water from the Green River for the benefit of the citizens of Henderson County. We wish only the best for our northern neighbors, and we encourage interlocal cooperation, and feel that it is warranted in this issue.

With kind regards,

Polk County Board of Commissioners

Cynthia Walker – Chair

Warren D. Watson – Vice Chair

Tommy W. Melton

Renee McDermott

Ray Gasperson