



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8**

1595 Wynkoop Street
DENVER, CO 80202-1129
Phone 800-227-8917
<http://www.epa.gov/region08>

Ref: 8EPR-N

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Rick Cables
Regional Forester
Rocky Mountain Region
U.S. Forest Service
740 Simms Street
Golden, CO 80401-4720

Colonel Thomas C. Chapman
District Engineer
Sacramento District
U.S. Army Corps of Engineers
1325 J Street, Room 1480
Sacramento, CA 95814

Re: Draft Environmental Impact Statement for
the Hunter Reservoir Enlargement
CEQ #20070295

Dear Sirs:

The U.S. Environmental Protection Agency Region 8 (EPA) has reviewed the Draft Environmental Impact Statement (DEIS) for the Hunter Reservoir Enlargement Project, prepared by the U.S. Forest Service (USFS), with the U.S. Army Corps of Engineers (Corps) as a cooperating agency. EPA's review and comments are provided in accordance with our responsibilities under Section 102(2)(C) of the National Environmental Policy Act (NEPA), 42 U.S.C. Section 4332(2)(C), and Section 309 of the Clean Air Act, 42 U.S.C. Section 7609. The proposed project includes an expansion of the existing Hunter Reservoir, which currently stores 110 acre-feet, to a 1340 acre-foot storage reservoir located on the Grand Mesa National Forest in Mesa County, Colorado. The enlargement is being proposed by the Ute Water Conservancy District (Ute Water) in order to provide a portion of the municipal water supply that Ute Water has determined it will need to meet the ongoing growth in water demand for the service area. The surface area of the reservoir would be increased from 19 acres to approximately 80 acres.

EPA has worked closely with the USFS and the Corps for the past several years on the Ute Water proposal to enlarge Hunter Reservoir. Throughout EPA's review of this project, we have consistently pointed out the potentially significant adverse environmental impacts of this project, specifically the impacts to the high quality 32-acre montane peat/fen wetland complex. EPA has also emphasized the critical need for the DEIS to adequately assess an appropriate range

of reasonable and practicable alternatives that would meet the basic project purpose and need and avoid impacts to this aquatic resource consistent with the provisions of NEPA and the Clean Water Act (CWA) Section 404(b)(1) Guidelines. These specific issues were highlighted in EPA's original scoping letter dated September 8, 2005, and in our DEIS scoping letter dated December 6, 2005, on this proposed reservoir enlargement. We remain concerned that the DEIS does not effectively address these key issues.

The enlargement of the reservoir pool will inundate 32 acres of high quality montane wetlands, including a rare and unique 2-acre fen and adjacent peatlands and wet meadow. Peatland and/or fen wetlands provide important hydrological and water quality functions by improving water quality in headwater streams (often supporting native cutthroat trout) and may support rare assemblages of aquatic invertebrates due to the complex matrix of habitat types (submerged aquatics and open water) (USFWS Region 6 Memorandum to the Field, 20 January 1999). They also provide critical ecological functions such as providing base flows to streams during late summer and/or drought periods. Many wildlife species utilize fens including moose and waterbirds. Pygmy Shrews (*Sorex hoyi*), a U.S. Forest Service Region 2 Sensitive Species, are known to occupy fen-type habitats. The relatively large size of the wetlands associated with Hunter Reservoir also suggests that this aquatic ecosystem generally possesses a higher diversity of abiotic and biotic processes which is an important factor in assessing ecological integrity (¹Rocchio 2006). The U.S. Geological Survey has also determined that peat wetlands are especially efficient filters of metals dissolved in groundwater and surface waters. This capacity to filter metals contributes to improved water quality by lowering dissolved metal content in streams (²Owen, D.O., and Breit, G.N., 1995).

Fens are wetlands with organic material accumulations that are groundwater driven, that often take thousands of years to develop. Because the rate of accumulation is so slow, attempting to create a fen to replace those that are destroyed is not practicable. Wetlands comprise approximately 1-2% of the semi-arid landscape in Colorado, and fens occupy an extremely small percentage of this limited wetland resource. Peatlands in the Rocky Mountains "are uncommon, in large part due to a climate unfavorable to their extensive development" (³Chaddle, et al., 1998). The wetlands at the Hunter Reservoir are hydrologically stable, as there are no significant human disturbances such as ditches or trampling. The size of the wetland area and the headwater position in the watershed demonstrate a high potential for continued viability of these wetlands into the future. Information presented in the DEIS states that the wetland quality and value were relatively low when compared to other wetlands in the area. However, EPA believes that the development and use of the Grand Mesa Wetland Function and Assessment Method is likely to have underrated the quality and functions being performed by wetlands surrounding the reservoir and, therefore, we do not concur with its conclusions.

Conversely, EPA believes that the wetlands in the project area represent some of the highest quality wetlands in EPA Region 8. Fen wetlands are a type of peatland generally uncommon in the Northern Rocky Mountains, becoming even rarer in the Southern Rockies, and are a resource requiring special consideration due to the unique process in their development which make them virtually irreplaceable. Recognizing their extremely high value and rarity, EPA views the wetlands to be impacted by this proposed action to be Aquatic Resources of

National Importance (ARNIs) under the August 1992 Memorandum of Agreement (MOA) between the EPA and the Department of the Army regarding Section 404(q) of the Clean Water Act.

While we recognize that the DEIS proposes several measures to compensate for the loss of these wetlands, CWA regulations have a prescribed sequence of first impact avoidance, followed by minimization, with compensation for any remaining impacts last. *See generally 40 CFR 230.5; 40 CFR 230.10.* EPA does not believe the DEIS adequately addresses this prescribed sequence because it does not fully consider and assess avoidance and minimization of impacts to wetlands, and its assessment of compensation proposes mitigation measures that we do not believe would be sufficient to adequately replace the aquatic resource functions that would be lost under the proposed action. As stated earlier, EPA does not believe that the assessment methodology used to evaluate both the quality of the wetland and the proposed mitigation is adequate. Based on the available information, we believe that the reservoir enlargement, as proposed, would result in substantial and unacceptable impacts to these wetlands. Due to EPA's concern about the technical validity of the methodology used to determine wetland quality and appropriate mitigation, EPA recommends that considerable additional evaluation is necessary to effectively assess mitigation measures for wetlands to be impacted by the proposed reservoir expansion.

With regard to the alternatives analysis, we note that while the USFS and the Corps initially identified ten action alternatives in the DEIS, all of these alternatives were eliminated from detailed study, except for the proposed action (enlarging Hunter Reservoir). Accordingly, the DEIS examines in detail only two alternatives: the proposed action and the no-action alternative. Based on our review of the DEIS, we believe that at least three of the alternatives that were eliminated from detailed consideration may indeed be reasonable and practicable alternatives that merit a full exploration and evaluation in a revised or supplemental DEIS. Without additional supporting documentation or discussion as to why all of these alternatives were eliminated from detailed consideration, we believe the alternatives analysis is inadequate because it does not rigorously explore and objectively evaluate all reasonable and practicable alternatives, including reasonable and practicable alternatives not within the jurisdiction of the lead agency.

EPA believes that using the existing Vega Reservoir for additional water storage may be a reasonable and practicable alternative. While we recognize that the DEIS indicates that a new Congressional authorization may be required to store municipal water at Vega Reservoir, the need for a Congressional authorization, in and of itself, should not be a reason to exclude an alternative from detailed consideration. Our initial discussions with the Bureau of Reclamation lead us to believe that it may be feasible to negotiate a storage agreement for municipal water at Vega Reservoir, similar to other water projects in the West, where uses are shifting from agriculture to domestic water use. Moreover, it is our understanding that Vega Reservoir did initially receive Congressional authorization to store municipal water. As such, we would like to explore in more detail with the USFS and the Corps, as well as the Bureau of Reclamation (which owns and operates the reservoir), what actions would be required to use the Vega Reservoir before eliminating it from consideration. Other alternatives that were eliminated, yet

which we believe may merit detailed consideration, include the construction of the Big Park Reservoir and using Colorado River water via a new pump station. Specifically, the Big Park Reservoir may be economically feasible because, as stated in the DEIS, the total cost is within the capacity of Ute Water to fund, and the reservoir would provide four times more storage than the proposed action. As to the Colorado River pump station alternative, it is not clear why the Ute Water treatment plant could not be upgraded to ensure that total dissolved solids and hardness in the Colorado River water would be addressed. Addressing these standards is a normal operating practice of all municipal water treatment systems.

In addition, we believe there are other alternatives that could be implemented alone or in combination that were not discussed in the DEIS that may be reasonable and practicable. These are:

- transfer of agricultural water rights for municipal water supply, including interruptible transfers, and/or rotating agricultural transfers with storage to firm agricultural supply (see Chapter 8 of the Colorado Department of Natural Resources' Statewide Water Supply Initiative November 2004 prepared by Camp Dresser McKee Consultants - <http://www.cwcb.state.co.us/IWMD/PhaseIReport.htm>);
- blending raw water (e.g., untreated Colorado River water with Plateau Creek supplies);
- conjunctive use of groundwater and surface water supplies;
- water banks, where entities with stored water rights have the option to lease water during times of drought or when water would not be put to beneficial use;
- municipal and industrial reuse by water rights exchanges where water is diverted at one source in exchange for water replaced to a downstream user from a different source;
- alternative development of additional storage or reservoir re-operation, including an evaluation of existing reservoirs in the Plateau Creek basin that could be enlarged (e.g., Jerry Creek Reservoirs, Monument Reservoirs) and alternative storage sites within the proposed Leon Creek sub-basin and adjacent basins; and
- a "regional" water supply storage project to create on-channel or off-channel reservoir(s) for future needs (20 - 40 years) in one location (recognizing that Ute Water may be planning to expand and develop several small projects within the Forest).

These additional alternatives appear to meet the stated purpose and need for this project which is "to provide a portion of Ute Water's projected municipal water demand," yet the DEIS does not fully analyze these alternatives. EPA recommends that the DEIS provide a detailed analysis of appropriate alternatives.

Because of the concerns identified above, EPA does not believe the DEIS sufficiently addresses the requirements of the CWA and its implementing regulations to explore all

practicable alternatives or the requirement to identify and select the Least Environmentally Damaging Practicable Alternative (LEDPA); to document that the proposed project would not result in significant degradation of waters of the United States; and to identify appropriate and practicable steps to minimize adverse impacts on the aquatic ecosystem. Consistent with these concerns regarding the proposed project's potential adverse effects on aquatic resources of national importance and the lack of analysis demonstrating compliance with the CWA 404(b)(1) Guidelines, if these inadequacies remain unaddressed, proposed issuance of a CWA Section 404 permit would be a candidate for elevation under the EPA/Army CWA Section 404(q) MOA.

For the reasons discussed above, EPA has rated this DEIS as "Environmentally Unsatisfactory - Inadequate Information" (EU-3) in accordance with EPA's national rating system, a description of which is attached to this letter. It is our recommendation that a supplemental or revised DEIS be prepared to address the project's unsatisfactory environmental impacts and analysis. We would be glad to assist the USFS and the Corps in completing the NEPA and CWA processes and identifying a project alternative that is environmentally acceptable. If we are unable to resolve our concerns, this matter would be a candidate for referral to the Council on Environmental Quality for resolution.

We look forward to working with you to prepare a supplemental or revised DEIS. Larry Svoboda, Director of EPA Region 8 NEPA program, will be contacting your staff to arrange a meeting to address these issues. If you have any questions before that time, Mr. Svoboda can be reached at (303) 312-6004.

Sincerely,



Robert E. Roberts
Regional Administrator

Enclosure

cc: Charles Richmond, USFS, Delta
Connie Clementson, USFS, Grand Junction
Michael Jewel, COE Sacramento
Ron Velarde, CDOW Grand Junction
Al Phister, USFWS, Grand Junction
Ute Water Conservation District, Grand Junction
Ken Jacobson, COE, Grand Junction
John Hranec, CWQCD, Denver

References

¹ Rocchio, J., 2006. Rocky Mountain Subalpine-Montane Fen Ecological System, Ecological Integrity Index. Unpublished report. Colorado Natural Heritage Program, Colorado State University, Fort Collins, CO. Pg.8

² Owen, D.O., and Breit, G.N., 1995, Geochemical reconnaissance study of Vassar Meadow (Adam;s Rib) wetlands and vicinity, Eagle County, Colorado: U.S. Geological Survey Circular 1122. Pg.1

³ Chaddle, S.W.; She.lly, J.S.;Bursik, R.J.; Moseley, R.K.; Evenden,A.G.; Mantas, M.; Rabe, F.; Heidel, B. 1998 Peatlands on the National Forests of the Northern Rocky Mountains: ecology and conservation. Gen. Tech. Rep. RMRS-GTR-11. Ogden, UT: U.S. Department of Agriculture, Forest Service, Rocky Mountain Research Station. Pg.1

**U.S. Environmental Protection Agency Rating System for Draft Environmental Impact Statements
Definitions and Follow-Up Action***

Environmental Impact of the Action

LO - - Lack of Objections: The Environmental Protection Agency (EPA) review has not identified any potential environmental impacts requiring substantive changes to the proposal. The review may have disclosed opportunities for application of mitigation measures that could be accomplished with no more than minor changes to the proposal.

EC - - Environmental Concerns: The EPA review has identified environmental impacts that should be avoided in order to fully protect the environment. Corrective measures may require changes to the preferred alternative or application of mitigation measures that can reduce these impacts.

EO - - Environmental Objections: The EPA review has identified significant environmental impacts that should be avoided in order to provide adequate protection for the environment. Corrective measures may require substantial changes to the preferred alternative or consideration of some other project alternative (including the no-action alternative or a new alternative). EPA intends to work with the lead agency to reduce these impacts.

EU - - Environmentally Unsatisfactory: The EPA review has identified adverse environmental impacts that are of sufficient magnitude that they are unsatisfactory from the standpoint of public health or welfare or environmental quality. EPA intends to work with the lead agency to reduce these impacts. If the potential unsatisfactory impacts are not corrected at the final EIS stage, this proposal will be recommended for referral to the Council on Environmental Quality (CEQ).

Adequacy of the Impact Statement

Category 1 - - Adequate: EPA believes the draft EIS adequately sets forth the environmental impact(s) of the preferred alternative and those of the alternatives reasonably available to the project or action. No further analysis of data collection is necessary, but the reviewer may suggest the addition of clarifying language or information.

Category 2 - - Insufficient Information: The draft EIS does not contain sufficient information for EPA to fully assess environmental impacts that should be avoided in order to fully protect the environment, or the EPA reviewer has identified new reasonably available alternatives that are within the spectrum of alternatives analyzed in the draft EIS, which could reduce the environmental impacts of the action. The identified additional information, data, analyses or discussion should be included in the final EIS.

Category 3 - - Inadequate: EPA does not believe that the draft EIS adequately assesses potentially significant environmental impacts of the action, or the EPA reviewer has identified new, reasonably available alternatives that are outside of the spectrum of alternatives analyzed in the draft EIS, which should be analyzed in order to reduce the potentially significant environmental impacts. EPA believes that the identified additional information, data, analyses, or discussions are of such a magnitude that they should have full public review at a draft stage. EPA does not believe that the draft EIS is adequate for the purposes of the National Environmental Policy Act and or Section 309 review, and thus should be formally revised and made available for public comment in a supplemental or revised draft EIS. On the basis of the potential significant impacts involved, this proposal could be a candidate for referral to the CEQ.

* From EPA Manual 1640 Policy and Procedures for the Review of Federal Actions Impacting the Environment. February, 1987.