



**UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration**

National Marine Fisheries Service

P.O. Box 21668

Juneau, Alaska 99802-1668

July 8, 2008

Colonel Kevin J. Wilson
District Engineer, Alaska District
U.S. Army Corps of Engineers
P. O. Box 898
Anchorage, Alaska 99506-6898

Re: POA-2006-1608
Susitna River

Attn: Jack Hewitt

Dear Col. Wilson:

The National Marine Fisheries Service (NMFS) has reviewed the above referenced public notice regarding a proposal by the Matanuska-Susitna Borough to establish the Su-Knik Mitigation Bank. The bank's service area is within the Matanuska-Susitna Borough lying south of the Talkeetna Mountains between the Knik Arm of Upper Cook Inlet and the Susitna River. NMFS is part of the Interagency Review Team (IRT) for the bank.

A goal of mitigation banking is to facilitate no net loss of wetlands via the restoration of lost wetlands or the creation of new ones. A preservation bank simply protects current and existing wetlands from future development. The Su-Knik Preservation Mitigation Bank would protect existing at-risk wetlands from future development. Though this goal is important in and of itself, it does not offset the loss or impairment of wetlands via development as a more traditional mitigation bank would. It is imperative all methods to avoid and minimize for project effects are fully implemented before this preservation bank is considered for project mitigation. Additionally, on-site mitigation must be given preference to an applicant buying bank credits for preservation. Where this is not possible, a credit ratio of at least 2:1 should apply. Also, the bank should not be used to credit preservation of areas with low development potential. Thus, the bank needs to assess the development probability of land within it, and the level of mitigation needs to be commensurate with the type of area affected.

NMFS recognizes much effort has been put into monetary calculations and financial assurance to ensure long term protection of areas within the bank. However, since the plan was drafted in 2006, fuel costs have more than doubled. NMFS recommends the Stewardship Fee be reviewed and account for recent fuel cost changes. Accurate fuel costs are important because the GLT Stewardship Support Worksheet (Attachment C: Stewardship Fee Details; Big Lake South Individual Bank Plan) includes consideration for one annual monitoring visit per site by automobile and one by fixed-wing aircraft.

Additionally, the endowment account plans on a 4% rate of return above inflation, which is assumed to be 3%. However, this year alone, inflation has averaged 4.082% through May. In 2006 the inflation rate was 3.24% as compared to 2007 when the average inflation rate was 2.85%. A review of average inflation rates for each of the last eight years reveals three of those years were at 3% and three years were within 0.5% of the 3% inflation mark. As offered, the 3% inflation rate seems conservative.



NMFS suggests a 5% inflation rate to serve as a buffer and protect against the loss of purchasing power within the endowment.

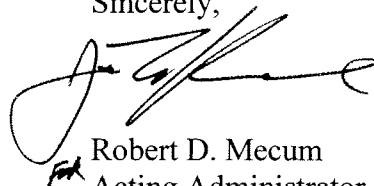
NMFS is concerned with the methodology the plan proposes to use to establish debits. It is not sufficient for escrow funds to come from the sale of credits. Sufficient funding, or financial assurance, needs to be available prior to credit sales. Assuring the long-term financial stability of the bank is paramount to assuring its continued solvency. For example, the Big Lake South Individual Bank Plan (BLS) states:

A report titled Guidelines for Permittee Application of HGM (Hydro-Geomorphologic Model) Rapid Assessment describes how a permittee can evaluate the functional values of wetlands to be impacted. If applied to the permittees project impacts, the permittee can provide precise values and use those values to determine the appropriate compensation required for trade at the BLS Bank. The report is in the Resource Folder available through the U.S. Army, Corps of Engineers, Regulatory Division, Anchorage, Alaska.

Independent verification of the HGM will be necessary for permittees. Generally, permittees will be unqualified to conduct an HGM assessment, even when aided by the “user friendly” HGM. This will lead to a wide range of estimates with little or no oversight or enforceability. The offer to incorporate an HGM type of assessment by the IRT highlights that there is some doubt as to permittee qualification and application of standards. Thus, independent verification by the permitting agency, or licensed and bonded professional, needs to be a requirement of the agreement.

Please contact LT(jg) Jonathan Taylor of my staff at (907) 271-5006 should you have any additional questions.

Sincerely,



Robert D. Mecum
Acting Administrator, Alaska Region

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