

ORIGINAL



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

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

APR 18 2013

Ref: 8EPR-N

Shana Murray
c/o Kimberly D. Bose
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

FILED
SECRETARY OF THE
COMMISSION
2013 APR 23 A 9:53
FEDERAL ENERGY
REGULATORY COMMISSION

Re: Proposed Study Plan for the Peabody Trout
Creek Reservoir Project
FERC No. P-14446-000

Dear Ms. Murray:

The U.S. Environmental Protection Agency Region 8 (EPA) recently participated in a February 12, 2013 stakeholders meeting in Denver, Colorado, that provided for further discussion of the January 18, 2013 Proposed Study Plan (Plan) for the Peabody Trout Creek Reservoir Project (Project). In response to the request for comments, the EPA offers recommendations for your consideration to encourage integration of planning requirements associated with the National Environmental Policy Act (NEPA) and Clean Water Act (CWA) Section 404 within the Federal Energy Regulatory Commission's (FERC's) process for evaluating hydropower projects. In our experience, early consideration of the full range of planning requirements results in a more efficient process. The following recommendations are not intended to be a list of all EPA concerns; rather this letter outlines the issues that we anticipate will be important given the limited information available at this time.

Background

On November 30, 2012, Peabody Trout Creek Reservoir LLC (PTCR) filed an application for a FERC preliminary permit for a proposed multi-purpose water storage project in Routt County, Colorado, that includes a hydroelectric component. The preliminary permit allows the project proponent to study the feasibility of the Project while reserving the proposed location. The Project includes a proposed dam and reservoir on Trout Creek, a tributary to the Yampa River, at a location approximately 15 miles southwest of Steamboat Springs, Colorado. In addition to hydropower generation, water stored in the reservoir would be used to support lakeside residential development offering recreational fishing and boating opportunities, as well as provide a long-term water supply source to support PTCR's mining operations in northwest Colorado.

Comments

The EPA concurs with the regulatory compliance concerns and recommendations outlined in the U.S. Army Corps of Engineers' (Corps) February 7, 2013 letter to Peabody Energy (see enclosure). We encourage early coordination with the Corps and with the EPA on this project. Because this is a multi-faceted project, early coordination efforts could result in an innovative FERC document that will serve to address multiple regulatory requirements, ultimately streamlining the review process.

It is our understanding that the Plan was developed with a focus on the construction and operation of the hydroelectric power plant at the Trout Creek Reservoir site. Because this is a multi-purpose project with an

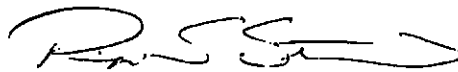
emphasis on long-term industrial water supply, we recommend that the project feasibility studies be prepared in a manner that will be useful to both the Corps and the EPA for the compliance determination under the CWA Section 404 permit process. The basic project purpose under the CWA and NEPA is likely to be broader than the purpose cited in the Plan, incorporating the water supply purpose. Because the primary project purposes have independent utility (*i.e.*, are not linked functionally), we recommend that each component purpose be evaluated separately to satisfy the CWA Section 404(b)(1) alternatives analysis. Such an evaluation may yield other feasible locations for the reservoir, alternative water supplies or design options that would have fewer impacts to waters of the United States and therefore would require examination of less environmentally damaging practicable alternatives. Overall, we are concerned that the use of a narrow project purpose to determine the scope of studies for the FERC permit application has the potential to result in the need to prepare additional NEPA documentation to meet NEPA and CWA Section 404 requirements.

The EPA welcomes the opportunity to work with and support FERC and the Corps through this process and offers further assistance if it would be helpful during this stage of the planning process. If we may provide further explanation of our comments, management may contact Phil Strobel at 303-312-6704, or staff may contact Melanie Wasco, Lead NEPA Reviewer, at 303-312-6540, or Sarah Fowler in the Aquatic Resource Protection and Accountability Unit at 303-312-6192.

Sincerely,



Karen Hamilton, Chief
Aquatic Resource Protection and Accountability Unit
Office of Ecosystems Protection and Remediation



Philip S. Strobel, Deputy Director
NEPA Compliance and Review Program
Office of Ecosystems Protection and Remediation

Enclosure

cc: Lesley McWhirter, USACE, Grand Junction
Ron D. Velarde, CPW, Steamboat Springs
John Hranac, CDPHE, Denver
Patricia Shrader-Gelatt, USFWS, Grand Junction
Bill Atkinson, CPW, Steamboat Springs