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April 21, 2007

Red River Water Supply Project
Bureau of Reclamation
P.O.Box 1017
Bismarck, ND 58502-1017

Subject: Comments on the Supplemental Draft Environmental Impact Statement (SDEIS)- Red River Water Supply Project

Thank you for supplementing the Draft Environmental Impact Statement (DEIS). The DEIS, which was hurriedly released at Christmas time in 2005 was deficient in many ways. I provided comments on May 25, 2006. No response was provided and no opportunity to participate in the process was afforded until the SDEIS was issued on January 31, 2007.

I'm aware that a number of others (individuals, public agencies, and Indian Tribes included) provided comments largely critical of the DEIS. It's disappointing that public comments with appropriate responses have not been shared with the public prior to, or in conjunction with, your supplementation of the document. It could have demonstrated a responsiveness on the part of the Bureau of Reclamation to the concerns and interests of the public-something which has not generally be displayed throughout the process of the study. It could also have facilitated the process of reviewing the SDEIS.

A similar situation took place when the DEIS was completed and released on short notice in December of 2005 without Reclamation having responded to comments on the Needs and Options Report which was intended to form the foundation for justifying and quantifying water needs and for identifying options for meeting those needs. I was informed by a high official of Reclamation at that time (mid- December of 2005) that you were under pressure to have the DEIS out by the end of the year. The official expressed regrets for the shun but clearly conveyed the implication that they "didn't have time" to consider and respond to the substantial number of comments and suggestions which had been provided by various interested parties, including state agencies.

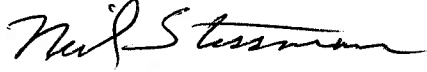
It doesn't appear that my comments on the DEIS have been addressed by the supplement. I would therefore ask that you now consider them as pertaining to the SDEIS. My comment letter dated May 25, 2006 is enclosed.

Please note that on the second page of my letter of May 25, 2007, I made a request to be informed with respect to any contract negotiations which had taken place with project beneficiaries. Since I have an interest in knowing the details of those potential contractual provisions, I would like a written response as to whether any negotiations have taken place with respect to this project.

Would you please let me know whether Reclamation has a requirement (or policy) to provide the public with information such as I requested? Please provide me with a copy of any regulations, policy provisions, or instructions of Reclamation which pertain to the informational and participatory opportunities which are (or, are not) to be afforded the public in connection with

your negotiation of financial obligation contracts such as the city of Fargo and other beneficiaries will be required to enter in connection with the Red River Valley Water Supply Project.

Thank you,

A handwritten signature in black ink, appearing to read "Neil Stessman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Neil Stessman
1106 Moon Valley Rd.
Billings, MT 59105

Red River Water Supply Project
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May 25, 2006

Subject: Comments on the Draft Environmental Impact Statement- Red River Water Supply Project

The proposed project is extremely costly in relation the benefits it stands to produce. A great deal of the costs involved, both for construction and for operations and maintenance of facilities required to supply the water from the Missouri River to the users in the Red River Valley, are to be borne by the federal taxpayers. Nearly all economic benefits which will be produced will be local or regional in nature. Thus, few national economic benefits will be produced even though tremendous sums of federal funds will be expended.

When projects produce local or regional benefits but few national economic benefits it may be concluded that the type of benefits produced tend to be offset by economic losses in other localities or regions of the country. When the results of a local project increase the production of beef, grain, potatoes, sugar, or other commodities, they tend to do so to the detriment of competing producers of those commodities in another part of the country. When a production plant or enterprise is induced to move to the project locality as a result of that project such as by virtue of gaining access to under-priced water, another locality incurs an economic loss. From a national perspective it tends to be a "wash" (no economic gain for the nation as a whole) if not an economic loss. The best results for a nation's productivity are gained when localities compete with each other on the bases of the inherent resources and values of the respective regional and local attributes and natural endowments rather than on the basis of which can muster the political wherewithal to garner federal subsidies for their respective growth inducing projects.

As a country we are approaching ten trillion dollars in public debt. This is debt which must ultimately be repaid by future taxpayers, including our children and grandchildren. We cannot continue to provide huge water project subsidies which may benefit one defined area, primarily Fargo in this case, with money which must be borrowed by the federal government and which will ultimately need to be repaid by taxpayers and by future generations.

I believe it is (and has long been) the policy of The Bureau of Reclamation that federal water projects should meet standard economic feasibility analyses. When faithfully performed, such studies can be relied upon to show whether the construction of proposed water projects actually can produce positive returns for the investment of federal dollars. Such a study tends to sort boondoggles from wise federal investments. Those found favorable produce positive economic benefits with respect to the investment required. Others produce negative numbers when analyzed from the standpoint of actual returns on the investment. The Red River Valley Water Supply Project has never been subjected to a feasibility analysis. Unless it can withstand such scrutiny, it's a pretty safe assumption that it's a boondoggle.

The Dakota Water Resources Act requires that a new authorization of the project will be needed

if the source of the water supply is to be the Missouri River. Reclamation seems to have been predisposed from the inception of the DWRA study to support a Missouri River diversion as the proposed source of the water supply. I would call upon Reclamation as a demonstration of its accountability as an agency responsible to the public to conduct a full feasibility study and analysis as a prerequisite to the consideration of a new authorization for Reclamation's preferred alternative for the Red River Water Supply Project.

Reclamation has prided itself over the years on the extent to which its projects can be expected to be repaid by beneficiaries. In many past cases those circumstances were misleading since no interest component was required to be assessed on investments for irrigation benefits. However, while recognizing that an exception has traditionally been made for irrigation projects, the agency long has had a policy that the costs of projects providing economic benefits to identifiable beneficiaries must be repaid in full with market interest rates being assessed over the life of the debt repayment period. That policy has long applied to municipal and industrial water supply projects.

On the contrary in this case, a review of the Dakota Water Resources Act indicates that many of the cost components of the Red River Water Supply Project have been made non-reimbursable. For example, contrary to traditional Reclamation policy, project beneficiaries have apparently been excused from sharing in the cost of collecting and storing water in the Missouri River mainstem reservoir. The entire cost of the treatment of water from the Missouri River before it can be introduced into the Red River Basin has been made non-reimbursable. Very little of the cost of the major facilities which would be used to convey the water across the State of North Dakota is to be borne by the beneficiaries of the project despite the fact that they have little or no other beneficial usefulness. There seem to be many other aspects of project costs which have been similarly exempted from Reclamation's historical cost recovery policies.

The financial magnitude of these "special" provisions is tremendous. I have frankly been unable to begin to calculate them with any precision. However, it must be understood that making costs non reimbursable does not make them free. It means the costs are to be borne by others. In some cases it may be that those who use electrical energy from the federal facilities will have to pay. Generally though, in this case, it appears that the costs involved will be borne by taxpayers. Funds will be appropriated by the federal government, the Treasury will borrow the money, and taxpayers will pay it off with interest over time. However, I don't find detailed or specific information in the FEIS disclosing this to the public. The public deserves to have this information. I request that Reclamation provide a forthright presentation of the costs to be borne by taxpayers, power users, and any others. This needs to be a presentation with details with respect to the scheduled estimate of federal appropriations which will be necessary in order to complete this project and to operate and maintain it over the life of its operations. Details should also be provided with respect to financial obligations which will be scheduled for the water-using beneficiaries to repay to the federal government. In this regard, please provide information with respect to any negotiations which may have already taken place in relation to the financial obligation of the users to the United States.

One reason the project is so poorly conceived from the economic standpoint is that the

anticipated project duration of nearly 50 years from the inception of the study under the Dakota Water Resources Act of 2000 is unreasonable. Not that facilities should not be designed with a life expectancy of 50 years, but it is not sound to make an investment in facilities based on judgmental projections of population growth nearly 50 years into the future. A project should be designed which can be built in stages as the need develops. In this case, there are ways in which a project could be designed to meet those needs for the next period of approximately twenty years. Reasonable estimates can be made of needs over that period and reasonable returns can be made on the necessary investment of funds over that period. Then, during the following decade or two, additional facilities can be planned, designed, and built in order to meet what may be found to be the growing needs of the following decade or two.

Forty to fifty year population growth projections are so uncertain as to be speculative. The problem is exacerbated by Reclamation's use of projections which are seen by many as being very aggressive and optimistic. When carried to the excessively long term of forty or more years into the future, the potential for grave error becomes pretty frightening. Being off by a percent per year or even a fraction of a percent per year gets compounded to some very large numbers. If you walk twenty feet in a direction that is incorrect by a few degrees you may not be very far off from your target. If you do it for several miles you can wind up being pretty far out bounds.

Reclamation's demographic projections have received comments and criticism from some pretty credible entities, including the State of Missouri. Having reviewed those comments and Reclamation's responses, it seems one could characterize Reclamation's conclusion as being one of - "Well, it's our judgement against yours." That might be OK in some circumstances but not in this case. Expenditures in the range of several hundreds of millions of dollars are at stake. This is not the time for boosterism.

The assessment of impacts on the Missouri River Basin is inadequate. The Bureau of Reclamation has failed to properly and realistically account for future demands on the Missouri River water supply. Although extensive analyses were conducted to assess what it has judged to be anticipated increases in demands in the Red River Valley as a basis for justifying the need for augmentation of the supply from outside the basin, they seem to have simply tallied existing uses on the Missouri when assessing the impacts of the withdrawals on the Missouri River Basin. On the Red River side, they projected population growth- no such thing was done with respect to the Missouri River analysis. On the Red River side, they conducted a meteorological study in order to estimate the potential for drought- no such thing was done with respect to the Missouri River analysis. Similar analyses are needed with respect to future industrial needs, recreational, wildlife, in stream flow requirements, agricultural needs, tribal needs, and many other factors important when assessing the potential impact of withdrawals from the Missouri River. There is no way the impacts on the Missouri River Basin can be properly assessed without making much more comprehensive assessments of potential future conditions on the Missouri River.

Reclamation should engage all of the states of the Missouri River Basin (upstream and downstream) in assessing all existing, planned, and potential future demands on the river. In addition, all Native American tribes should be consulted with respect to their present and future

needs with respect to water supplies in the Missouri Basin. Many have quantified water rights and others have reserved water rights which have not as yet been quantified. These and other trust assets are the obligation of the Secretary of the Interior to safeguard. I have found no indication that the tribes have been fully consulted with respect to this project.

I believe there is very high potential for the Missouri to become over appropriated in the future and it is extremely important to preserve the capability to meet all reasonable demands, both present and future, from within the basin before any commitments should be made to supply water to areas outside the basin. As you know there are already major conflicts within the basin with respect to the management of water in the Missouri, especially during the extended drought which we have been experiencing.

It is necessary for Reclamation to assess the impacts of further activities which would be facilitated by the use of GDU main supply and conveyance facilities because those uses constitute reasonably foreseeable actions which could develop partially as a result of the preferred alternative for the Red River Water Supply Project. The Snake Creek Pumping Plant, the McClusky Canal, the New Rockford Canal and related facilities have little or no economic use at this time and prospects for such use without the federal project delivering Missouri River water to the eastern part of the state are nil. It is well known that the State of North Dakota still has an agenda to have an inlet to Devils Lake using water from the Missouri River and that they intend to utilize the GDU facilities for the delivery system.

The reason that the impacts of a Devils Lake have been excluded from the the environmental impacts assessment is apparently meant to be explained by a statement on page 8 of the executive summary of the DEIS. Reclamation states that a Devils Lake inlet is outside the scope of this DEIS. They go on to claim in the executive summary that an inlet to Devils Lake is prohibited by law, citing DWRA Section 8(f). The DWRA quite simply does not prohibit an inlet to Devils Lake. It prohibits the use of funds which were authorized under the DWRA for carrying out a **feasibility study** for an inlet to Devils Lake. There is quite a difference and Reclamation's statement is misleading at best.

Even if it were correct that the use of DWRA funding could not be used for the assessment of the impacts of a Devils Lake inlet utilizing GDU facilities, which appears not to be the case, there is still a requirement under NEPA to assess the impacts of reasonably foreseeable activities such as the inlet to Devils Lake.

The lack of available federal funding does not make the activity exempt from the requirement to assess the environmental effects. Funding for the necessary impact study could be provided by the State of North Dakota the Garrison Diversion Conservancy District, or other project advocates. In fact, the study itself could be conducted by those cooperating partners as long as it meets the requirements of Reclamation, DEQ, and etc.

The various potential irrigation projects discussed further on page 8 of the Executive Summary are also reasonably foreseeable activities which would be facilitated by the authorization of a Red River Water Supply Project which would utilize existing GDU main supply and delivery

facilities. Reclamation is incorrect in stating on page 8 of the Executive Summary that these projects are "...unrelated to the Project and would not be facilitated by any of the alternatives considered." If the use of GDU conveyance facilities were to be authorized for the purpose of supplying water to the Red River Valley, it follows that such facilities then will have a recognized purpose and must be maintained in perpetuity. Accordingly, I cannot comprehend the basis for Reclamation's statement that the use of the facilities for certain irrigation projects is unrelated and would not be facilitated by any of the alternatives considered. I was personally advised by the Manager of the Garrison Diversion Conservancy Project that they intend to pursue the use of the facilities for irrigation development with or without authorization a federal irrigation project for GDU facilities. He indicated that state funding would be available to assist with the cost of development if necessary and that Garrison Diversion Conservancy District was prepared to pursue the use of GDU facilities to convey water to irrigate lands on state developed projects. He was advocating for the perpetuation of maintenance of the existing mostly idle facilities and there was no doubt in his mind, and there is no doubt in mine, that the use of the facilities for a water supply project to the Red River would facilitate the use of the facilities for irrigation development.

The State of North Dakota has constructed an outlet from Devils Lake into the Sheyenne River, which is a tributary of the Red River. The State Water Commission of North Dakota has obtained a permit to operate the outlet and they have commenced to discharge water into the Sheyenne River. There is every indication that the State of North Dakota intends to operate the outlet for a very long time. The amount of water to be discharged into the Sheyenne River is significant in relation to the needs of the Red River Water Supply Project. Although the amounts to be discharged will vary, they are likely to be higher during the times when the flow in the Sheyenne is lower than average which corresponds to the times when Red River Valley Project service areas will be most in need. Nevertheless, Reclamation has not included that water as part of the supply of water available for use in the Red River Valley. There is simply no sound excuse for not taking this augmentation into account.

The Bureau has substantially underestimated the potential to manage demand by the aggressive and innovative implementation of water conservation programs and through the implementation of drought contingency planning. Tremendous gains have been made elsewhere in the development and implementation of measures which make very significant contributions to reducing demands in public water systems. Reclamation as an agency with a reputation for water management should have made a much greater effort to introduce contemporary and progressive measures to help manage demand and thereby contribute to the capability of users in the Red River Basin to sustain themselves with reduced water use.

I was encouraged in this regard when Reclamation in conjunction with the Secretary of the Interior published a document called "Water 2025 Preventing Crises and Conflict in the West" three years ago. The document set out a strategy for Reclamation to assist water users throughout the west in improving their management of critical water supplies. One of the headline items in the initiative is entitled "Six Principles" which lists the focus of their anticipated efforts. Number two of the Six Principles is "Maintain and modernize existing water facilities so they will continue to provide water and power." Number three is "Enhance water conservation, use

efficiency, and resource monitoring to allow existing water supplies to be used more effectively.” Number four is “Use collaborative approaches and market based transfers to minimize conflicts.” Number six is “Existing water supply infrastructure can provide additional benefits for existing and emerging needs for water.” It seemed as though the “Water 2025” document was articulating the precise message Reclamation planners associated with the Red River Water Supply Project needed to hear.

I was further encouraged when Reclamation Commissioner John W. Keys made the following statement in his speech concluding a conference in Denver, Colorado promoting the “Water 2025” initiative on June 6, 2003:

“Today, Water 2025 is just words, ideas, and goals.

Tomorrow, Water 2025 is about action and results.”

Undoubtedly, there would be a great potential for **results** if there was a commitment to take the necessary **action** in the case of the Red River Water Supply Study. It has been disappointing to see Reclamation in this case fail to demonstrate the leadership it is capable of providing in the field of water management- specifically, water conservation, changes in use during low supply conditions, and drought contingency planning.

There has been an inadequate effort to explore water supplies within the Red River Basin. The State of Minnesota has indicated a willingness to cooperate fully with this study in order to meet realistic demands for water from within the basin.

I would also point out that Reclamation needs no additional authority to develop a project using in-basin supplies. Section 8.(a) (B) of the Dakota Water Resources Act provides as follows:

“If, after complying with subsection (b) through (d) of this section, the Secretary selects a feature or features using only in-basin sources of water to meet the water needs of the Red River Valley identified in subsection (b), **such features are authorized without further Act of Congress.**”

That’s a better option. It can no doubt be done at a lower expense while eliminating adverse impacts in the Missouri River Basin. It would also mitigate the controversy and opposition which is likely to develop when the Congress is asked to authorize a mega-million dollar project which consists of a trans-continental diversion of water to meet speculative demands of a basin which has not exhausted it’s own potential for meeting needs from within its own area.

In conclusion, I recommend that Reclamation withdraw the DEIS and revisit the potential for developing a staged water supply project focused on meeting demands from within the basin. It appears that with the implementation of

demand side initiatives , including water conservation and drought contingency planning, and with a greater effort to identify and explore in-basin supplies, including groundwater, realistic needs can be met.

Thank you for the opportunity to comment on the Draft Environmental Impact Statement for the Red River Water Supply Project.

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