UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

DEC 19 2016

OFFICE OF
ENFORCEMENT AND
COMPLIANCE ASSURANCE

Ms. Kenneth Tu
U. S. Forest Service/Department of Agriculture
Strategic Planning Office – Colorado Roadless Rule
740 Simms Street
Golden, CO 80401

Dear Mr. Tu:

The U.S. Environmental Protection Agency (EPA) has reviewed the November 2016 Supplemental Final Environmental Impact Statement (SFEIS) for the Colorado Roadless Rule (Rule), prepared by the US Forest Service (USFS). The SFEIS further examined the impacts of Rule in light of deficiencies outlined by the District Court of Colorado in *High Country Conservation Advocates v. United States Forest Service,* 52 F. Supp. 3d 1174 (D. Colo. 2014). The North Fork Coal Mining Area exception was part of the Rule as promulgated in 2012 and allows for temporary road construction for coal exploration and/or coal related surface activities on 19,700 acres defined as the North Fork Coal Mining Area on the USFS lands in Gunnison County, Colorado.

Our comments, set forth in the enclosure, are provided for your consideration pursuant to our responsibilities and authority under Section 102(2)(C) of the National Environmental Policy Act and Section 309 of the Clean Air Act.

EPA appreciates the USFS's continuing efforts to improve the technical accuracy, discussion of model assumptions, and clarity of analysis and results, particularly as regards the climate change impacts.

Please contact Elaine Suriano of my staff at (202-564-7162) or at Suriano.Elaine@epa.gov if you have any questions.

Sincerely,

FOR

Robert Tomiak
Director,
Office of Federal Activities

EPA Comments for the SFEIS/Colorado Roadless Rule

EPA offers the following comments on the Final SEIS for this rule. Any changes in response to these comments could be incorporated into the Record of Decision (ROD).

Table 2-2 and tables in Chapter 3

The production rate-discount rate combination assumptions underlying each scenario should be explained (via table footnotes and improved column headings) along the lines suggested in EPA's previous comments. As presented the tables remain confusing.

- Reporting of CO2 only social costs, in addition to the social costs from both CO2 and CH4 increases, should be clarified -- the latter forms the primary estimate of total monetized social costs.
- 'Social cost' estimates are still shown as negative values in many tables which is inaccurate. Net benefits (i.e., benefits - social costs, or in USFS terminology, "Present Net Value") are negative, but it is incorrect to have negative signs on the values contained in columns labeled Benefits or Costs (unless they are negative costs, which is not the case for this action).
- Chapter 3 tables should clarify when social costs reflect the methane increases or not (e.g., Table 3-30, 3-32).

The intra-generational benefits are still being discounted at the same rates as the inter-generational social costs. This is inconsistent with OMB Cir A-4 guidance. The incorrect discounting approach applied to the benefits estimates remains a significant deficiency in this SFEIS. This deficiency affects the magnitude and possibly even the sign of the "Upper Estimate" of the Present Net Value of the action.

Clarifying Assumptions and Analysis

- USFS uses the same terminology to describe its model scenarios as EPA uses to describe its base case model scenarios and has chosen to adopt many of EPA's modeling assumptions. This is explained in footnote 1 on page 2. However, often the text is not clear as to which assumptions and analysis are being referenced when these terms are used. Furthermore, there are notable differences between EPA's base case models and USFS's no alternative and alternative scenarios, and therefore the distinction is important. The decision document should be clear when it is referring to information developed by or collected by EPA, and when information is developed by or collected by USFS. For example, in the following sentence on page C-4, because it refers to "EPA coal supply curves", it is not clear if the results from "IPM v5.13 base case" refer to USFS' version or EPA's version: "The coal prices that the EPA coal supply curves produce in the IPM v5.13 base case are shown in Table C-2a for Wyoming, Montana, Colorado, and Utah, which are regions from which coal might be supplied if North Fork Coal Mining Area coal was not available." The v5.13 base cases differ in many ways, not the least of which is that USFS imposes a sector-wide carbon price in its base case (i.e., the no alternative case), while EPA does not.

- Page 36: The SFEIS assumes certain production levels from the North Fork area under the different alternatives, and "that the rate of production (i.e., the amount of coal produced annually) would remain constant from year to year." It then uses the IPM model to estimate changes in certain economic and environmental variables that may result from opening up the area. The ratio of the change in production to the variable of interest from the model results is then multiplied by the assumed production levels to estimate the change in the variable of interest (e.g., emissions changes). These ratios are conditional on the model's projection of the change in production both over time and in total. Alternatively, it seems that USFS could have used the forecast change in coal production from these reserves from the model rather than presume a level of production for the alternatives. The decision document should explain why the IPM model outputs were not relied on in this way.

- At various points the SFEIS states that either the outputs of the modeling for the SDEIS substitution analysis was used in the SFEIS substitution analysis (e.g., pages 95 and 97), or that the SDEIS coal supply curves/assumptions were used in the market modeling for the SFEIS substitution analysis (e.g., pages 2, 114, C-4, C-13). Both sets of statements are confusing because they are seemingly mutually exclusive and elsewhere the SFEIS indicates that substitution factors were re-estimated using the reserves added scenario using the updated baseline for the final rule. For example, the discussion around Table C-22 of the SFEIS indicates that the substitution factors were updated (although the table note for C-22 of the SFEIS suggests that they can only be found in a spreadsheet). Furthermore, it seems that the coal market supply assumptions were updated for the baseline of the final rule (e.g., page 2, page C-5), which suggests that the SDEIS coal supply curves were not used. USFS should consistently explain what information from the substitution analysis reported in the SDEIS was used for the SFEIS analysis. If substitution factors or the coal supply assumptions were not updated for the SFEIS, USFS should explain why and how to rectify seemingly conflicting claims about how the substitution analysis was updated.

Specific Comments

- Page C-4: Regarding the sentence: "Thus, the EPA supply curves for Wyoming Powder River Basin coal result in prices somewhat higher than market expectations for 2016 and close to market expectations for 2018, as of mid-2015." Clarify whether these results are from EPA's v5.13 base case modeling assumptions, or from USFS' baseline IPM scenario for the SDEIS and SFEIS. Furthermore, clarify that these price results are not attributable to EPA's analysis, but rather to USFS's analysis. The model's coal price forecast depends on much more than its coal supply assumptions, so it is not clear what is being compared in this sentence and the text that immediately follows it. Prices reflect both supply *and demand*. USFS's base case/no alternative case includes different assumptions than in EPA's base case that also influence coal demand.

- Page C-9: The labels for the model scenarios in this graphic are misleading. The labels on the graph should be changed to reflect that one scenario is the DEIS no alternative case while the other is the SFEIS no alternative case. The note for the graphic is misleading because it does not convey that the SDEIS model imposed a carbon price. The graphic note conveys the sense that it is the inclusion of the CPP final modeling that drives the difference, yet the carbon price imposed in the SDEIS is also removed in the SFEIS modeling.

- Page C-16: Table C-16 note: It is unclear to what documents the reference "*IPM v5.13 and v5.15 documentation.*" is referring. Is it the EPA's v5.13 and v5.15 base case modeling documentation? Or are they the ICF references in the SFEIS reference list that describe modeling for USFS? This reference should be clarified.

- Page E-60: The last paragraph to the comment that begins "The Forest Service should assume more exported coal…" does not describe all the differences in the modeling assumptions that changed the coal and gas consumption results between the SDEIS and SFEIS. USFS did not independently evaluate how changes to the various modeling assumptions between the SDEIS and SFEIS analysis affect the results, and therefore a single explanation for the difference in the modeling results is not justified.