VIA ELECTRONIC MAIL ONLY  
(NTEC.RSEA@usda.gov)

Terry E. Czerwien  
Environmental Protection Specialist  
U.S. Department of Agriculture - Rural Utility Service  
1400 Independence Avenue, SW  
Washington, District of Columbia 20250

Re:  EPA Comments – 2023 Revised Supplemental Environmental Assessment - Nemadji Trail Energy Center Project, Douglas County, Wisconsin

Dear Mr. Czerwien:

The U.S. Environmental Protection Agency has reviewed the U.S. Department of Agriculture – Rural Utilities Service’s (RUS) Revised Supplemental Environmental Assessment (RSEA) prepared for the proposed Nemadji Trail Energy Center (NTEC) Project in Douglas County, Wisconsin. Dairyland Power Cooperative (Dairyland) is proposing to participate with South Shore Energy, LLC, a subsidiary of ALLETE, Inc., and Nemadji River Generation, LLC, a subsidiary of Basin Electric Power Cooperative (Basin Electric) (together the “Owners”), in a one-on-one combined cycle natural gas turbine (CCGT) with an in-service date in 2027. Dairyland intends to request financial assistance from RUS under its Electric Loan Program for its share of the Project, thereby making the proposed project a federal action subject to the National Environmental Policy Act (NEPA). This letter provides our comments on the Revised Supplemental EA, pursuant to NEPA, the Council on Environmental Quality's NEPA Implementing Regulations (40 CFR 1500-1508), and Section 309 of the Clean Air Act.

RUS previously published a Draft EA for NTEC in October 2020 and issued a Finding of No Significant Impact (FONSI) in June 2021. EPA issued a comment letter on RUS’s October 2020 Draft EA on November 30, 2020. After publication of the FONSI, RUS received several petitions from both non-profit organizations and Wisconsin tribes to rescind the FONSI and prepare a Supplemental EA to include an analysis of greenhouse gas (GHG) emissions and climate change, including the effects that increased GHG emissions would have on indigenous populations and treaty resources near the NTEC facility. RUS concurred that further analysis of the potential environmental impacts from implementation of the proposed project was warranted and prepared a Supplemental EA in 2022 (2022 Supplemental EA) to address the petitions filed.

EPA provided comments to RUS on the 2022 Supplemental EA on July 26, 2022. EPA’s comments and recommendations were limited to the scope of the Supplemental EA, mainly that
the 2022 Supplemental EA did not fully quantify or adequately disclose the impacts of GHG emissions from the proposed action. Our detailed comments included recommendations for consistent disclosure and consideration of upstream and downstream emissions, analyzing GHG emissions in the context of national GHG reduction policies and state reduction targets, disclosing the climate impacts by using the estimated social cost of GHGs, consideration of non-gas alternatives, improving the application of mitigation measures, considering longer term impacts including carbon-lock-in and stranded assets, incorporating climate adaptation, and considering climate-related environmental justice.

RUS released the current 2023 RSEA to address comments received on the 2022 Supplemental EA. EPA recognizes the ongoing efforts RUS has undertaken to respond to EPA’s comments, and we acknowledge RUS’s willingness to coordinate with EPA on your agency’s response to comments. We appreciate the ongoing and open communication our agencies have had to resolve EPA’s concerns and improve environmental outcomes as this project has progressed. EPA’s comments on the RSEA focus mainly on the Social Cost of Greenhouse Gases analysis and are enclosed with this letter.

We continue to look forward to working with you as this project advances. Please send us an electronic copy of future NEPA documents, including the decision document, for this project. If you have any questions or comments regarding the contents of this letter or would like to discuss our comments in more detail, please contact the lead NEPA reviewer, Liz Pelloso, at 312-886-7425 or via email at pelloso.elizabeth@epa.gov.

Sincerely,

KRYSTLE MCCLAIN

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Krystle Z. McClain, P.E.
NEPA Program Supervisor
Tribal and Multimedia Programs Office

cc (via email):
Wayne Dupuis, Fond du Lac Resource Management Division (wayne.dupuis@fdlrez.com)
Linda Nguyen, Red Cliff Environmental Director (linda.nguyen@redcliff-nsn.gov)
SOCIAL COST OF GREENHOUSE GASES (SC-GHG) CALCULATIONS

- In our 2022 comment letter on the Supplemental EA, EPA requested that RUS undertake a Social Cost of Greenhouse Gases (SC-GHG) analysis to accurately reflect the proposed project’s monetized cost, incorporating climate impacts from both direct and indirect GHG emissions. We appreciate the efforts undertaken by RUS to include calculations in the Revised Supplemental EA and the ongoing coordination between RUS and EPA regarding SC-GHG calculations.

The SC-GHG for the project in the Revised Supplemental EA appears to be calculated incorrectly. The interim SC-CO2, SC-CH4 and SC-N2O estimates are reported in 2020 dollars. The Gross Domestic Product (GDP) implicit price deflator is available only through the first quarter of 2023\(^1\). It is unclear how the SC-GHG estimates reported in 2020 dollars were inflated to 2025 dollars in the Revised Supplemental EA (e.g., as reported in in Table 3-8 - Total SC-CO2 Carbon from Project for 2025-2050 in 2025 Dollars (in Billions) and Table 3-9 - MISO West Region Total SC-CO2 for 2025-2050 presented in 2025 Dollars). Most importantly, it is unclear why the inflation correction differs across discount rates (e.g., the 2020 to 2025 inflator is 127.6% for 5% discount rate and 115.9% for the 3% discount rate).

EPA was able to replicate\(^2\) the results presented in Table 3-8 - Total SC-CO2 Carbon from Project for 2025-2050 in 2025 Dollars (in Billions) in the Revised Supplemental EA. In EPA’s Excel workbook, on the tab labeled “NTEC;” we entered the emissions estimates of 2,252,626 tons per year of CO2 for Potential to Emit (PTE) in column B from 2025-2050. Our spreadsheet automatically multiples the annual emission estimate by the respective SC-CO2 (in 2020 dollars) for each year for each discount rate. The monetized values of future CO2 emission changes for each year across discount rates (millions, 2020$) are shown in Columns F-I of this tab.

As explained in the 2021 Interagency Working Group report\(^3\), multiplying the SC-GHG in year “t” by the change in emissions in year “t” yields the monetized value of future emission changes from a year “t” perspective. That value represents the present value of damages from the GHG emitted for that year (those are the values in Columns F-I). Before including it in an analysis, that value must be discounted to the present. It does not appear that this required discounting to the present was done in the Revised Supplemental EA; consequently, this has the net effect of overinflating the total values.

\(^1\) See: [https://fred.stlouisfed.org/series/GDPDEF](https://fred.stlouisfed.org/series/GDPDEF)

\(^2\) See EPA’s Excel workbook titled “SC-GHG Workbook 2022 Revised (2020-2070)_NTEC_Table 3.8”, which EPA has provided electronically to RUS via concurrently with this comment letter.

EPA suggests that RUS calculate the present value of the stream of SC-GHGs using a present value year of 2025 (the year the project is constructed). While EPA has not seen the calculations or spreadsheets showing how RUS calculated the SC-CO2 for the project, it appears that instead of discounting to the year 2025, the 2020-dollar values were inflated to 2025 dollars using inflator values presented in Appendix C, which vary by discount rate. By multiplying the SC-CO2 estimates in Columns F-I by the inflator values for each discount rate (Appendix C) and summing across the time period, EPA was able to replicate\(^4\) the (incorrect) SC-CO2 values (in 2025 dollars) presented in Table 3-8 - Total SC-CO2 Carbon from Project for 2025-2050 in 2025 Dollars (in Billions) of the Revised Supplemental EA. If EPA’s assumptions are correct on how RUS arrived at these SC-CO2 values, then the values presented in Table 3-8 do not accurately represent the values discounted to 2025.

In a second EPA-created Excel workbook, EPA has calculated\(^5\) the present value in 2025 of the SC-CO2 from 2025-2050 (in 2020 dollars). Again, entering the emissions estimates for CO2 in Column B on the “Data” tab, EPA’s spreadsheet automatically monetizes the damages from CO2 emissions for each discount rate. The results are shown in columns F-I (in 2020 dollars) on the “Data” tab. Because we entered the year 2025 in cell D3, the spreadsheet automatically discounts the values in Columns F-I to 2025, and the results are shown in columns T-W.

Assuming EPA’s understanding of the text is correct, the values that should have been presented in Table 3-8 of the Revised Supplemental EA are as follows:

**EPA Calculations: Table 3-8: Present Value of CO2 Emission Changes (millions, 2020$)**

<table>
<thead>
<tr>
<th>GHG</th>
<th>CO2</th>
<th>CO2</th>
<th>CO2</th>
<th>CO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Rate</td>
<td>5.00%</td>
<td>3.00%</td>
<td>2.50%</td>
<td>3%</td>
</tr>
<tr>
<td>Statistic</td>
<td>avg</td>
<td>avg</td>
<td>avg</td>
<td>95th</td>
</tr>
<tr>
<td>Present Value in 2025 (2020$)</td>
<td>$759,806,869</td>
<td>$2,842,188,753</td>
<td>$4,280,282,240</td>
<td>$8,661,938,820</td>
</tr>
</tbody>
</table>

EPA is willing to help with calculations or further explain our methodologies if needed. We have provided RUS with our Excel spreadsheets to help with the appropriate calculations.

Unfortunately, using the information on emissions in Chapter 3 of the Revised Supplemental EA, EPA was unable to replicate (even using the steps outlined above to calculate the values reported in Table 3-8) RUS’s estimates presented in Table 3-9 - MISO West Region Total SC-CO2 for 2025-2050 presented in 2025 Dollars (shown across time in Tables with and without NTEC in Appendix C). Looking at the tables in Appendix C, it is unclear why the SC-CO2 values for each discount rate decrease from 2025-2032 before increasing.

**Recommendations before finalizing the NEPA document:**
- Correct the calculations within Table 3-8 based on the information provided above.

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\(^4\) For EPA’s calculations, see columns J-M and the sum in row 62 of the “NTEC” tab in EPA’s “SC-GHG Workbook 2022 Revised (2020-2070)_NTEC_Table 3.8” Excel workbook.

\(^5\) See EPA’s Excel workbook titled “SC-GHG Workbook 2022 Revised (2020-2070)_NTEC_Table 3.8_PV 2025”, which EPA has provided electronically to RUS via concurrently with this comment letter.
• Include tables of emission estimates for CO₂ from 2025 to 2050 for MISO West both WITH and WITHOUT NTEC and provide a clear and transparent narrative explaining how those emissions are calculated using CO₂ emission estimates from construction and operation of the project (pointing to tables in Chapter 3) and estimates for the no action alternative.
• Recalculate the estimates in Table 3-9 and provide additional narrative information on how these numbers were calculated, as per EPA’s comments above.
• Include upstream emissions valuations using the spreadsheets. Again, provide narrative information explaining all calculations.

OTHER COMMENTS
• The 2022 Supplemental EA discussed impacts that will be borne by tribes, including limited access to, or closing of the fishing access at 18th Street and the Nemadji canoe launch during construction. Additionally, construction of the proposed transmission line associated with the project would require tree and woodland clearing in portions of the Allouez Area Parcel 1 hunting area, the Itasca Area hunting area, and the Annex hunting area, and the 2022 Supplemental EA stated that access to these areas would be restricted during construction.

In our 2022 comment letter on the Supplemental EA, EPA stated that RUS did not discuss how these impacts would be remedied or mitigated and recommended these concerns be addressed. We appreciate the addition of mitigation efforts specified on pages 25-26 of Appendix A of the 2023 Revised Supplemental EA, particularly to keep the public hunting areas open for hunting during construction (and closing the construction zones during hunting season(s) for safety reasons.)

• In our 2022 comment letter on the Supplemental EA, EPA recommended to RUS that GHG emissions be analyzed in the context of national and state GHG reduction targets and policies. Wisconsin’s Executive Order 38 (Relating to Clean Energy in Wisconsin), signed by Governor Evers on August 16, 2019, laid out goals for Wisconsin, including ensuring all electricity consumed within the State of Wisconsin is 100 percent carbon-free by 2050.

The Revised Supplemental EA states on page 3-25, “When compared to the maximum potential to emit (PTE) of all GHG emissions (CO₂, N₂O, SF₆, and CH₄), even assuming that the combustion turbines operate every hour of every day for a full year, the NTEC Project would emit only 3.9 percent of the GHG emissions in the State of Wisconsin.” EPA recommends against comparing project emissions to state-level emissions, as it can be a misleading gauge of the size of the project.