

APPENDIX V

**LETTERS OF RESPONSE TO THE JACKSON
COUNTY LAKE PROJECT PRELIMINARY
FINAL ENVIRONMENTAL IMPACT
STATEMENT (PFEIS)**

**V-1: Letter From the Kentucky Highlands
Investment Corporation on the Economic
Effect of the Kentucky Highlands
Empowerment Zone**

KENTUCKY HIGHLANDS
INVESTMENT CORPORATION

205

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March 22, 2001

Mr. Mark Plank
Senior Environmental Scientist
U.S. Department of Agriculture - Rural Utilities Services
Mail Stop 1571 Room 2237-S
Washington, D.C. 20050

Re: Jackson County Lake
Preliminary Final Draft
Environmental Impact Statement

Dear Mr. Plank:

In reviewing the Preliminary Final Draft Environmental Impact Statement (EIS) for the Jackson County, Kentucky Reservoir project, there are several questions raised on the economic effect the Kentucky Highlands Empowerment Zone (KHEZ) has had on Jackson County. As Lead Entity for the KHEZ, I would like to enter the following into the record.

Employment

According the Kentucky Department of Employment Services, the total employment in Jackson County at the time of KHEZ designation in December 1994 was 4,062. At December 2000, the total employment in Jackson County stood at 6,503 persons. This 2,441 growth in employment represents a 60% increase in total employment Jackson County since the Kentucky Highlands Empowerment Zone was created.

By comparison, the total employment in Kentucky in December 1994 was 1,727,000. In December 2000, the total employment in Kentucky stood at 1,922,224 or an increase of 195,244. This represents an increase of 11.3%. Thus, the growth in employment in Jackson County has been more than five times greater than the rate of growth for the Commonwealth of Kentucky.

Investment

On behalf of the Kentucky Highlands Empowerment Zone, Kentucky Highlands Investment Corporation, as Lead Entity, manages a revolving loan fund for new and expanding businesses. This \$13 million fund is fully invested and, in fact, we have invested an additional \$3 million in repaid principal and interest.

A significant amount of the investment from this fund has been in Jackson County with local businesses. A total of \$9,036,000 from the KHEZ revolving loan fund has been lent to Jackson

County enterprises. These operations have also invested more than \$10 million from other sources in Jackson County. The companies currently employ more than 900 additional persons as a direct result of the investment from the Kentucky Highlands Empowerment Zone.

Several companies have begun operations in Jackson County since the empowerment zone designation. Included among these are Specialty Plastic Products of Kentucky, Inc. (250 employees), Phillips Diversified Manufacturing, Inc. (130 employees), Flat Rock Furniture, Inc. (33 employees), JC Tech, Inc. (5 employees), JCR Industries, Inc. (80 employees) and Image Entry (71 employees). In addition, several employers have expanded during this period, with the largest being Mid-South Electrics, Inc. - Kentucky which has added approximately 300 employees since the empowerment zone was designated.

Population

The U.S. Department of Commerce has not yet issued detailed reports for counties from the 2000 Census. However, several general reports on population are now available.

In 1994, the population in Jackson County was estimated by the U.S. Department of Commerce - Census Bureau at 12,520 residents. A 2000 Census report issued on March 21, 2001 found the population in the county had risen to 13,495, or an increase of 7.8%. By comparison, the total population in Kentucky is estimated to have risen by 134,031 persons, or 3.5%, during this same period. Statistically, the population in Jackson County is not only growing at a faster pace than in the rest of Kentucky, but at a more rapid rate by 122%.

According to statistics from the U.S. Census Bureau, University of Louisville, Kentucky State Data Center, an important factor in the population growth in Jackson County is from migration. During the decade of the 1990's, net migration in Kentucky was estimated at 2.9%. By comparison, the net migration for Jackson County is estimated at 652 persons, or 5.5%. Much of the in-migration can be attributed to the increased job opportunities now available in the community.

TANF and Poverty Rates

The impact of the above-listed employment and investment growth, along with changes in federal legislation, has had a dramatic effect on TANF recipients in Jackson County. TANF stands for Temporary Aid to Needy Family. According to the Kentucky Cabinet for Families and Children, the number of residents of Jackson County receiving assistance through the TANF program has fallen 93.4% since Empowerment Zone designation. The following chart illustrates the impact:

**Number of TANF Recipients in Jackson County, Kentucky
 Since Empowerment Zone Designation**

| | | | | | | | |
|------------------------|------|------|------|------|------|------|------|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
| No. of TANF Recipients | 549 | 456 | 390 | 342 | 289 | 66 | 36 |

While welfare reform has certainly had a major impact of the number of TANF recipients in Jackson County, the documented improvement in the economic conditions in the community is overwhelming.

The percentage of persons with income below the poverty level is also an indication of the increasing strength of the economy in Jackson County. The improvement in this area can be shown statistically as follows:

**Percent of Persons with Income Below the Poverty Level
 Jackson County and the Commonwealth of Kentucky**

| Census | Jackson County | Kentucky |
|-----------|----------------|----------|
| 1980 | 39.2% | 17.6% |
| 1990 | 38.2% | 19.0% |
| 1995 est. | 34.8% | 17.9% |
| 1998 est. | 30.8% | 16.0% |

The percentage of persons with income below the poverty level has dropped by 21.4% over the past two decades compared to a 9.1% decrease for Kentucky as a whole. Since the Empowerment Zone designation, the decrease in Jackson County has been 11.5% compared to a 10.6% decrease for the Commonwealth of Kentucky. Again, the trends in Jackson County are all positive and point to an increasingly vibrant economy with improved living conditions and an increased demand for services.

Farm and Tobacco Income

A major structural economic change in Jackson County since KHEZ designation has been in the farm economy. Because of the terrain and tradition, the small family farm has always been a mainstay of the local economy. And the primary cash crop of these farmers has always been tobacco. Now, both of these are under stress and may soon disappear altogether.

To obtain an overall assessment of Jackson County farm economy, the first step is to examine the number of farms in the area, particularly in comparison to the state as a whole.

**Jackson County and Kentucky
 Number of Farms**

| | No. of Farms 1992 | No. of Farms 1997 | Number Gain/Loss | Percent Gain/Loss |
|----------|----------------------|----------------------|---------------------|----------------------|
| Jackson | 789 | 689 | -100 | -12.6% |
| Kentucky | | | | - 8.8% |

In Jackson County the family farm is disappearing at a faster rate than elsewhere in Kentucky. In fact, the family farm is vanishing at a rate more than 150% higher than the rest of Kentucky.

What has led to this situation, and what will accelerate the demise of the family farm in the future, is what is happening to the tobacco farmer. Most of the farmers in Jackson County grow small allotments of tobacco which generate \$3-5,000 annual revenue. In just a four-year period, this revenue is being cut by almost 80%.

The following table illustrates the plight of the tobacco farmer.

**Jackson County and Kentucky
 Farmer Tobacco Revenue**

| | 1997 Revenue | 2000 Est. Revenue | Loss | Percent Loss |
|----------|--------------|-------------------|-------------|--------------|
| Jackson | \$5,590,000 | \$1,121,000 | \$4,380,000 | 79.95% |
| Kentucky | \$826.2 MM | \$241.2 MM | \$584.9 MM | 70.81% |

To illustrate how severe the cuts in Jackson County are for the local farm economy, the 1997 Total Market Value of All Crops in Jackson County was \$5.81 million. Thus, in 1997, tobacco farming accounted for approximately 96% of all farm revenue in Jackson County.

Again, the loss to the small family farmer from the cut in tobacco allotments is staggering and the Jackson County farmers will be hurt even harder than those in the rest of Kentucky.

Summary

The above figures on Jackson County indicate the area has and continues to undergo fundamental changes in both structure and economic makeup. These changes are almost all positive. The population is increasing due to natural growth and in-migration. Employment opportunities continue

Mr. Mark Plank
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to expand within Jackson County allowing residents to remain within the community. Since many of the new jobs have been entry level positions, it can be expected that income will increase as employees learn new skills and acquire seniority. The only sector where the economy is flagging is within farming. This data provides even more reason to support the non-farm economy which has emerged in the county.

How Jackson County survives, and if it continues to prosper, will be in large part due to the success of the Empowerment Zone. The availability of water, and by necessity, the creation of the proposed reservoir, may be the most crucial element in determining this success.

Thank you for your attention.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Rickett".

Jerry Rickett, President
Kentucky Highlands Investment Corporation
as Lead Entity for the
Kentucky Highlands Empowerment Zone

V-2: Letter From the Corps of Engineers



DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, LOUISVILLE
CORPS OF ENGINEERS
P.O. BOX 59
LOUISVILLE, KENTUCKY 40201-0059
FAX: (502) 315-6677
March 30, 2001

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Operations Division
Regulatory Branch (South)
ID No. 200000824-ejs

Mr. Mark Plank
U.S. Department of Agriculture
Rural Utilities Service
Engineering & Environmental Staff
1400 Independence Avenue
Mail Stop 1571
Washington DC 20250

Dear Mr. Plank,

We appreciate being granted the opportunity to review the Preliminary Final Environmental Impact Statement (PFEIS) for the proposed Jackson County Lake Project in Jackson County, Kentucky. Given the requested time frame placed on the submittal of these comments and the fact that there will be a future opportunity to comment more completely after the PFEIS is formally published for public consumption, the following set of comments should not be considered as exhaustive.

For actions subject to NEPA, where the Corps of Engineers is the permitting agency, the analysis of alternatives required for NEPA environmental documents, will in most cases provide the information for the evaluation of alternatives under the 404(b)(1) Guidelines (hereafter referred to as the Guidelines). However, on occasion, these NEPA documents may not have considered the alternatives in sufficient detail to respond to the total requirements of the Guidelines. In the latter case, it may be necessary to supplement these NEPA documents with additional information. Based on the information contained in the PFEIS, it would appear that this document would need to be supplemented with additional information to satisfy the requirements of the Guidelines for a full and complete analysis during the 404 permitting process. Hopefully, the following comments will clarify some of the areas where additional information pursuant to Guidelines may be warranted.

It would appear that the analysis of water supply needs for Jackson County has been improved from the earlier draft of this document. However, it is still unclear what data was used for factoring in an additional amount of 42% of Jackson County's water needs to account for potential regional demands. It is understood that it was based on a survey of several surrounding counties. How specifically did these surveys relate to the portions of those counties that the Jackson County Water Association expects to service? Were the estimated needs for those peripheral areas based on statistics derived from the entire adjacent county or just those portions of the county specific to the projected serviceable area? How many projected households will be serviced in these peripheral areas? What is the projected usage?

What figures were used to arrive at these estimates? These kinds of information should probably be included in a full disclosure document such as this PFEIS. Therefore, it is recommended that the survey information obtained from these surrounding counties be included in the Final Environmental Impact Statement.

There are still a number of issues to be addressed in consideration of the three War Fork and Steer Fork dam and reservoir alternatives. A primary concern still remains concerning the integrity of the underlying geology at the site of the proposed impoundment(s). Based on the report submitted by Mr. Ronald Yost (Fuller, Mossberger, Scott & May), the hydraulic isolation of the proposed impoundment from the underlying Newman limestone is still uncertain (Appendix P, Page P-6). The thickness of the lower Pennington shale would have to be of sufficient thickness to assure hydraulic isolation of the impoundment from the Newman limestone. This hits at the heart of the engineering integrity of the impoundment and also represents a concern for potential adverse impacts to downstream areas. As recommended by Mr. Yost, corings would need to be taken beneath the stream channel at the proposed location of the dam before this issue could be adequately addressed. To address the possible hydrologic connections between the site and downstream bat habitats, the tracer tests recommended by Mr. Yost would also need to be performed. A possibility that has not yet been voiced is the potential for the site to be hydrologically connected to the downstream Wild and Scenic River segment via subterranean conduits. If there is a lack of hydraulic isolation any subsequent leakage of the impoundment that found its way to this Wild and Scenic River segment may have an adverse effect on the water quality (e.g., a paucity of dissolved oxygen due to water from a hypolimnetic source in the impoundment) as well as the stability of the ecosystem in this portion of War Fork.

As accurately pointed out in the section **"ISSUES TO BE RESOLVED,"** mitigation would also be required for any unavoidable adverse impacts resulting from the discharges of fill into War Fork during construction of the dam. Potential adverse impacts may be couched into two broad categories: 1) those above the dam; and 2) those below the dam. The impacts above the dam would involve the conversion of a free flowing lotic ecosystem to that typifying lentic or standing conditions. This conversion would result in a loss of functions and values that should have to be compensated for through mitigation. In addition, the proposed impoundment and operation of the water control structure will have certain adverse consequences on the downstream reaches of War Fork. These downstream consequences are not fully addressed in the PFEIS. River form, fluvial processes, and biotic ecosystems tend to evolve simultaneously and operate through mutual adjustments toward stabilization. Adverse impacts to water quality, water flows, and a shift in ecosystem dynamics induced above the dam have the potential to be carried forward and effect the biotic and geomorphologic integrity of the downstream waters. There is mention of the installation of a multi-level intake structure to allow mixing of released water from different depths in the reservoir as a mitigation measure for impacts to water quality. However, there is no mention on the patterns of timing and volumes of water release, i.e., how much and when. Efforts to document and mitigate these potential adverse impacts would need to be addressed before we could fully evaluate this project under the Guidelines. From

the applicant's perspective, the costs associated with these mitigation requirements should also be factored into to the total cost of the project.

The Guidelines direct the permit decision toward the least environmentally damaging practicable alternative. Section 230.10(a)(1) requires that no discharge shall be permitted if there is a practicable alternative to the proposed discharge which would have less adverse impact to the aquatic ecosystem, so long as the alternative does not have other significant adverse environmental consequences. This provision takes into account alternatives which are available and capable of being done after taking into consideration cost, existing technology and logistics in light of overall project purposes (Section 230.3(q))." In essence, the Guidelines impose a requirement of sequential decision making with the thrust on alternatives being the preferred avoidance of impacts to the aquatic environment. The PFEIS states, "The three War Fork and Steer Fork dam and reservoir alternatives would have the greater adverse impacts on natural habitat and wildlife resource values than any of the other alternatives" (page 7-3). In contrast, while evaluating the pipeline alternatives the PFEIS states that "... impacts resulting from the Wood Creek Lake and Lock 14 pipeline alternatives would be generally minor, and similar to each other in most respects" (page 7-2). However, there is a distinction drawn between the two pipeline alternatives. "In combination with projected growth in water consumption by customers of the Wood Creek Water District, piping large volumes of water from Wood Creek Lake to Jackson County would cause the sustainable yield of that resource to be exceeded sooner than it would be otherwise. Also, as withdrawals from the lake approach or exceed its sustained yield, lake level fluctuation would increase significantly, which would compromise the recreational value of the lake for boating and fishing. In contrast, the Lock 14 pipeline alternative would avoid these adverse effects, since the proposed amounts of withdrawal for Jackson County represent a very small fraction of the average flow of the Kentucky River" (PFEIS, Page 7-2). It would appear, therefore, from the information contained in the PFEIS that the Lock 14-pipeline alternative would represent the least environmentally damaging alternative providing Jackson County and the surrounding region with a sustainable water supply. The costs of the War Fork and Steer Fork Impoundment 2.2 mgd alternative (\$16,723,000) (Keep in mind that this total project cost does not include any of the costs associated with mitigation as required by the Guidelines.) and the Lock 14 Pipeline 2.19 mgd (\$17,313,000) Appendix Q, Page Q-8) appear to be comparable. Both of these cost estimates would seem to be reasonable expenses for these types of projects. Therefore, it would appear that the Lock 14-pipeline alternative would also be a practicable means to supply Jackson County and the surrounding region with a sustainable water supply.

It is understood that the pipeline alternative would not supply the secondary requirements of recreational opportunities. However, as indicated in the PFEIS, "All action alternatives, regardless of action type, would result in very significant benefits to health and economic conditions within Jackson County due to the provisions of additional water supplies, including moderately significant increases in business development in the county" (page xiii). As stated in the PFEIS,

ALTERNATIVES INCLUDING THE PROPOSED ACTION, "As a secondary requirement, the alternatives should meet the desire for additional recreational opportunities, but not meeting this desire would not eliminate an alternative from further consideration" (page 2-1). While the pipeline alternative would not directly supply recreational benefits, it is recognized that by supplying a sustainable water supply there may be moderately significant business development in the county. The recognized recreational needs documented as unmet for the county (i.e., hiking, picnicking and swimming) do not seem to be reservoir dependent activities. The Daniel Boone National Forest occupies a large portion of Jackson County. The national forest lends itself to hiking trails, picnic facilities, and campgrounds. This natural resource is a unique commodity for Jackson County that should make it possible to develop these recreational opportunities in a way independent of necessitating the discharge of dredged or fill material into "waters of the United States". In addition, as indicated in **2.5 COMPARISON OF IMPACTS OF ALTERNATIVES** of the PFEIS, while the impoundment alternatives would result in an increase in recreational opportunities provided by the reservoir, these would be offset somewhat by a reduction of recreational opportunities within the project area and downstream (PFEIS, page 2-38). A complete evaluation of the potential impacts of the proposed impoundments to the downstream Wild and Scenic River segment should also consider the potential to impact the recreational value of this downstream area. There are a number of reservoirs in the surrounding region that would compete with a lake in Jackson County as a source of recreation and economic input. However, the presence of a Wild and Scenic River in combination with a National Forest is a natural resource commodity that is in much shorter supply. This segment of stream not only represents a unique aquatic and biological resource but also a significant source of recreation and economic input to the county. This needs only to be marketed and advertised in order to increase its importance to the local economy. A sustainable water supply created by the pipeline would allow Jackson County to take advantage of and promote any business(es) which may be related to recreational use(s) of the Daniel Boone National Forest.

Again, we would like to thank you for the opportunity to review the Preliminary Final Environmental Impact Statement (PFEIS) for the proposed Jackson County Lake Project in Jackson County, Kentucky. We are looking forward to continuing to work with you toward helping Jackson County implement a project that will ensure a safe and sustainable water supply for the future. These comments should not be considered as final comments. Once a preferred alternative has been identified we will be in a better position to address some of our concerns with a greater level of specificity. And, of course, any new information coming to bear on this proposal would need to be taken into consideration before any final conclusions could be drawn.

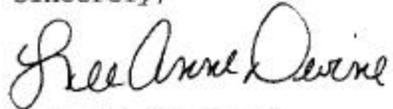
If you have any questions concerning these issues, please contact us either by writing to the above address, ATTN: CELRL-OP-FS, or by calling Mr. Jerry Sparks at (606) 642-3053. Any correspondence on this matter should refer to our ID No. 20000824-ejs.

ADDRESSES FOR COORDINATING AGENCY

Mr. William L. Cox
Chief, Wetlands Regulatory Section
U.S. Environmental Protection Agency
Region IV
Atlanta Federal Center
61 Forsyth Street, SW
Atlanta, Georgia 30303

A copy of this letter will be sent to the appropriate coordinating agency (see enclosure for address).

Sincerely,



 James M. Townsend
Chief, Regulatory Branch
Operations Division

Enclosure