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March 24, 2005

The Honorable Mayor and the Honorable Members of the Dallas City Council
1500 Marilla Street, Room 5EN
Dallas, Texas 75201-6390

Dear Councilmembers:

The discussion regarding the proposed Fastrill Reservoir at the March 9th Council meeting left a number of mis-impressions about the proposed reservoir that we want to correct before next week's briefing and your upcoming vote on funding a study that pursues Fastrill.

On each the following pages, we detail one of the crucial issues. Contrary to information you received prior to the March 9 meeting,

- **Landowners** on the Fastrill site are ***not willing sellers***
- The reservoir and the national wildlife refuge are ***not compatible***
- DWU's **cost estimates of Fastrill are *understated***
- Fastrill is only included in DWU's Long-Range Water Supply Plan to supply a theoretical ***excess capacity***
- Fastrill would be a ***small source of water***
- Fastrill would have ***devastating impacts*** and would encounter ***widespread opposition***
- **Funding Fastrill studies would at the very least be *premature***

Also attached is a one-pager about Fastrill and the National Wildlife Refuge being developed on the same site, as well as a statement from the U.S. Fish and Wildlife Service and a news article covering the threat of land condemnation and a local legislator's effort to fight it.

We would very much appreciate your attention to these important points prior to the Council's consideration of funding for studies of Fastrill Reservoir in April.

We would of course be happy to talk with you, in person or by phone, to give you additional details, or to make a presentation or answer questions at the briefing on Fastrill, reportedly scheduled for next Monday.

Sincerely,

Janice Bezanson, Executive Director
Texas Committee on Natural Resources

Ken Kramer, Ph.D., Director
Lone Star Chapter of the Sierra Club

Mary Kelly, Senior Attorney
Environmental Defense

Bill Seaman, President
Dallas Historic Tree Coalition

J. Mark Wolf, President
Save Open Space, Dallas, Texas

Rita Beving, Conservation Chair
Dallas Regional Group, Sierra Club

Maxine Johnston, Conservation
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Big Thicket Association

Gina Donovan, Director
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Genie Fritz
Dallas, Texas

Richard LeTourneau, Chair
North East Texas Group, Sierra Club
Longview, Texas

Richard LeTourneau, Chairman
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FASTRILL LANDOWNERS ARE NOT WILLING SELLERS

Inaccurate information given to Council before the March 9 vote:

Council was told inaccurately that “the” (implying one) landowner of the Fastrill Reservoir site is a (very) willing seller.

Correct information:

There are 64 landowners in the Fastrill Reservoir/ Neches River National Wildlife Refuge site. At least two of them, each of whom owns more than a fourth of the area, would *not* be willing sellers for a reservoir.

One of the major landowners of the Fastrill site, the Forest Land Group, owner of approximately 7,000 acres, is a timber investment management organization (TIMO) working with the Conservation Fund of Texas to establish the national wildlife refuge. The land was purchased *for the purpose* of adding it to the refuge.

Executives of Temple-Inland, the largest landowner with 10,000 acres or more, have said that the representation made to Councilmembers about the company’s being just as willing to sell land for the Fastrill Reservoir project as for the proposed Wildlife Refuge is quite false. Temple Inland has a sterling reputation for protecting ecologically unique environments through their "Temple-Inland Distinctive Sites" program. Eleven sites in Texas protect the habitat of particular plant and animal species, such as Wild Azaleas, Long-leaf pines, and Red-cockaded woodpeckers, to name only a few. As a 112-year-old Texas-based company that is the largest private landowner in Texas, Temple-Inland’s corporate philosophy and identity includes giving back to the communities of East Texas by protecting the highest-quality wildlife land within their jurisdiction for future generations.

Several of the more-than-sixty landowners with smaller holdings in the area have expressed support for the refuge. Others have told FWS that they have no desire to sell their land to anyone.

The refuge would be purchased only from willing sellers; the reservoir would require condemnation:

There is no conflict between establishing the refuge and the landowners who chose not to sell, because the Fish and Wildlife Service purchases refuge land only from willing sellers and because refuge lands and private lands can be interspersed. But building the reservoir would mean condemnation of some, perhaps a lot, of these smaller landowners.

With it already known that well over half of the acreage for Fastrill would come from landowners who are NOT willing sellers, the representation made to Council that “the landowner” is eager to sell is clearly far off base.

THE RESERVOIR AND THE REFUGE ARE *NOT* COMPATIBLE

Inaccurate information given to Council before the March 9 vote:

Council was told that Dallas could “work with” the U.S. Fish and Wildlife Service to create a refuge as mitigation for Fastrill Reservoir and that such an approach would meet conservationists’ goal of protecting fast-vanishing bottomland hardwood forests.

Correct information:

There are several ways in which the claim that Dallas could work with FWS to create a refuge and a reservoir is not accurate. While it is true that refuges have sometimes in the past been established on the perimeter of reservoirs as partial mitigation for the reservoir, it is not normal procedure for a refuge to be established in connection with a lake and this has not been done in recent years.

Significantly, the quality of the wildlife habitat on land on the perimeter or in the upper reaches of a reservoir is much lower than on the land closer to the river. The land proposed for inclusion in the Neches River National Wildlife Refuge is some of the highest-quality and least-disturbed bottomland habitat left in the state of Texas. Its nationally-significant wetlands have been rated Priority 1 by the U.S. Fish and Wildlife Service (FWS) for conservation since the site was identified in 1985.

As the attached letter from the Fish and Wildlife Service indicates, land around the perimeter or upper reaches of a reservoir is not of comparable quality to land along a river corridor. While FWS might work with proponents of Fastrill if the reservoir were only to flood a small amount of the lower-quality habitats in the footprint of the refuge, any arrangement that inundated the intact bottomland hardwood forest ecosystem whose protection is the purpose of the refuge would not be a compatible action with FWS’s efforts to protect bottomlands and the wildlife and waterfowl that depend on them.

If Fastrill were built, it would destroy forever the very-high-quality habitat values of the land proposed for the Neches River National Wildlife Refuge. The proposal by proponents to establish a different refuge in conjunction with Fastrill Reservoir is not an acceptable alternative.

COST ESTIMATES PRESENTED BY CPY UNDERSTATED THE COST OF FISTRILL

Inaccurate information given to Council before the March 9 vote:

DWU presents Fastrill as a cost-effective option for water supply, but there are several ways in which the cost estimates were understated.

Correct information:

Over the course of the public meetings and presentations to the Council, Chiang, Patel and Yerby's (CPY) cost estimates per thousand gallons for Fastrill Reservoir varied greatly:

- \$1.30 at January 27 public meeting
- \$1.48 at February 3 public meeting
- \$0.61 for Fastrill/Palestine in the same February 1 evaluation spreadsheet
- \$0.96 for Fastrill alone in a February 1 evaluation spreadsheet
- \$1.21 for Fastrill/Palestine in a February 15 evaluation matrix
- \$2.05 for Fastrill alone in the February 15 evaluation matrix
- \$1.23 at February 17 public meeting
- \$1.31 in DWU's presentation dated March 5

Analysis of DWU/CPY's cost estimates shows a number of errors that result in an understatement of the cost of building Fastrill Reservoir:

1. In the presentation dated March 5, DWU calculated an annual capital cost for Fastrill of \$65,142,000 per year for 100 mgd (Slide 9). The same chart lists the cost per thousand gallons at \$1.31. But dividing an annual cost of \$65,142,000 by the delivery rate of 100 mgd gets a result of \$1.78, not \$1.31. The actual figure of \$1.78 per thousand belies DWU's assertion that they chose Fastrill for cost-effectiveness.
2. In some of the Fastrill calculations, CPY took the cost of the Fastrill Dam (\$182,590,000) as the only "source" cost, but divided the amount of water from both Fastrill and Palestine into the capital costs of Fastrill. This caused Palestine water to appear slightly more expensive than it really would be, but made the added water from Fastrill look *much* cheaper.
3. In several of the presentations, CPY claimed large cost savings for a joint project with Lakes Fastrill and Palestine. The only economy of such a joint project would be the possibility of sharing a pipeline from Lake Palestine to Dallas (once Fastrill water was pumped to Palestine), rather than laying two pipelines. The savings would be quite small. The apparent large savings for a combined Fastrill-Palestine option compared to a Fastrill alone option is achieved by a simple averaging of Lake Palestine and Lake Fastrill costs. This creates the misimpression that *Lake Fastrill* is cost-effective but the "savings" are achieved by averaging Fastrill with the lower-cost Lake Palestine. The incremental cost of building Fastrill would still be approximately the \$1.78 referred to in Item #1 above.

**FASTRILL RESERVOIR IS STRICTLY FOR EXCESS CAPACITY
ABOVE RECOMMENDED SUPPLY**

Unacknowledged result of the Council vote of March 9:

The council adopted a water supply plan that includes 178 mgd of *excess supply* by 2060 (above the projected demand) – excess capacity that is unneeded, expensive, and harmful to landowners and the environment. The inclusion of this excess capacity was not acknowledged or discussed.

Correct information:

DWU's consultant Chiang, Patel & Yerby recommended obtaining a “reserve” supply 10% above projected extended-drought demand for 2060 (an extra 87 mgd), an action not currently practiced by Dallas.

Significantly, the supply in DWU's adopted Long-Range Water Supply Plan calls for 91 mgd beyond even the consultant's 10%-above-projected-demand recommendation*.

This 91 mgd of excess capacity is the size of a whole new, unneeded reservoir, with all its attendant environmental harm, disruption to landowners and businesses, and expense to the ratepayers of Dallas and its customer cities. (For example, Fastrill's yield is projected as being from 90 to 160 MGD.)

Water planners and economists have debated the wisdom of paying for a 10%-above-projected-demand reserve supply when the projected demand already includes consideration of the longest drought of record. To add 91 mgd of excess capacity in addition to the reserve without explanation or justification is even more dubious. To supply this excess capacity with water from a new reservoir, which DWU admits is a higher-risk, higher-harm, higher-opposition strategy, is unjustified, in human, environmental, and ratepayer terms.

The Upper Neches River Municipal Water Authority, who wants Dallas as a partner to build Fastrill, is the same entity that refuses to sell Dallas some very cost-effective water that could be made available in Lake Palestine, in addition to the amount for which Dallas already has a contract. News accounts indicate that Fastrill proponents (which include Upper Neches River MWA) want to build Fastrill partly to take pressure off of Lake Palestine's being used for water supply, i.e. to prevent the rising and falling of Lake Palestine to benefit lakeside property owners instead of using the water for water supply.

** CPY's actual projected demand in 2060 is 876 mgd; its 10%-above-demand is 963mgd. The Attachment to the resolution adopted March 9 by the council lists 663.67 mgd of supply in 2060 to be provided by water supply “strategies”, and an existing supply in 2060 of 390.8 mgd is listed elsewhere by CPY. The combined total of 1054.47 mgd is 178.47 mgd in 2060 above CPY's actual projected demand.*

FASTRILL WOULD BE A SMALL SOURCE OF WATER

Inaccurate information given to Council before the March 9 vote:

At the March 9 Council Meeting, Mr. Blaydes stated that it was his understanding that Fastrill Reservoir would be a “huge” source of supply.

Correct information:

Fastrill would be a small reservoir. The yield estimate presented by DWU was 90 mgd to 160 mgd.

While this amount would cover or come close to covering one of the 100 mgd supply “slices” on DWU’s chart, it would be substantially less than the amounts potentially available from existing reservoirs, such as Lakes Texoma and Wright Patman. (Note: the yield available to DWU from these sources that DWU’s consultant *studied* was approximately 100 MGD, but in reality much higher volumes *could* be available from these existing reservoirs.)

It is highly unlikely that Fastrill’s yield would be sufficient to entice another water purveyor into a cooperative project and DWU is not suggesting a cooperative project. Indeed, if the lower yield figure (90 MGD) proves to be the case, Fastrill would not even meet the 100 mgd supply that DWU has indicated for 2045, especially if some of the yield was left in the basin of origin, as is traditionally done.

In summary, in contrast to the notion that Fastrill would be a “huge” source of supply, Fastrill’s supply

- would not equal, let alone exceed, that of other available existing sources
- could prove to be less than the amount of water adopted for 2045 in the Council-passed Update to the Long Range Water Supply Plan
- however small or large, is entirely in excess of DWU’s consultant’s recommended 10% reserve supply-above-projected-demand.

**IN ADDITION TO FLOODING THE PLANNED NECHES RIVER REFUGE,
OTHER IMPACTS OF FASTRILL RESERVOIR WOULD CAUSE DRAMATIC HARM
AND WOULD GENERATE INTENSE OPPOSITION TO FASTRILL**

Inaccurate information given to Council before the March 9 vote:

DWU listed opposition to Fastrill and its overall risk to develop as merely “elevated”, and referred to Fastrill as having a “high” environmental impact ranking (as compared to “higher” for Marvin Nichols Reservoir). These labels considerably understate the negative impacts and difficulty of future construction of the project.

Correct Information:

The label of merely “elevated” for the level of risk to development of Fastrill ignores the warning issued in Dallas’ 2000 Long-Range Water Supply Plan that “since Dallas already holds a permit to export more than 100 mgd from the Neches River basin [from Lake Palestine] to the Trinity River Basin, obtaining an additional inter-basin transfer permit from the Neches River may be difficult”. The same label regarding opposition under-represents the opposition that such harm will generate and thus under-represents the risk to development. The only reason that opposition to Fastrill is not yet as apparent as Marvin Nichols is that the Fastrill proposal was only made public a few weeks ago. Even so, ten Dallas-area and statewide groups have already gone on record opposing the reservoir and a number of state legislators have already expressed opposition.

The negative environmental impacts of Fastrill would be significant. In addition to the permanent inundation of the Neches River National Wildlife Refuge and some of the highest-quality habitat left in Texas that Fastrill would cause, diverting water from Fastrill into the Trinity Basin would reduce the seasonal flood flows on the Neches River that are crucial to downstream natural areas.

The Big Thicket National Preserve was established to protect a remnant of a very-water-dependent ecosystem that once covered 3½ million acres. This rare ecosystem is a biological crossroads of such significance and productivity that it was declared an International Biosphere Reserve in 1981. The National Parks and Conservation Association named the Big Thicket National Preserve to the Nation’s Top Ten Most Endangered National Parks in 2003 and 2004, partly because of the potential of water development projects upstream on the Neches River.

Other areas downstream of the Fastrill site that would also be impacted by reduced flows include two national forest wilderness areas and a state wildlife management area. One of the wilderness areas, Big Slough, features a popular canoe trail that would become unusable if reduced flood flows caused an increase in vegetation that clogged the slough. The Angelina/Neches Dam B Wildlife Management Area, downstream at the confluence of the Neches and Angelina Rivers, is widely used by duck hunters and other outdoor recreationists and is also dependent on Neches River flows.

(continued)

Impacts, Risk, and Opposition (Continued)

As we have mentioned to Council before, Fastrill would flood a portion of the debris field of the space shuttle Columbia that is being considered as a memorial site, would impact the Texas Historic Railroad, would undercut a citizen effort to establish the Neches River as a National Scenic River, and would flood prime habitat for Texas Parks and Wildlife Department's black bear reintroduction program.

Conservationists' opposition to Fastrill will be strong, once word of the Fastrill Reservoir proposal reaches East Texans. Opposition will come not only from environmentalists. Hunters depend on public areas such as the Neches River Refuge to provide habitat for wildlife and waterfowl and for public recreational opportunities. The chambers of commerce of deep east Texas have begun organizing in support for state parks and natural areas to promote ecotourism. And landowners who choose not to sell their property for a reservoir can be expected to be major players, as the Council has seen happen with Marvin Nichols and the other new reservoirs in the Sulphur Basin.

**ANY DECISION ABOUT FASTRILL SHOULD WAIT
UNTIL THE REFUGE DECISION PROCESS IS COMPLETE**

It would be a waste of Dallas' ratepayers' dollars for the Council to vote funding for pursuing a reservoir project when the Fish and Wildlife Service is in the process of developing a refuge on the site.

While we appreciate the Council's language in the March 9 resolution that indicates Dallas will work with the U.S. Fish and Wildlife Service to determine if the Fastrill project can meet the multiple objectives of water supply and wildlife preservation, the resolution also calls for a feasibility-level study of the reservoir.

Even a study that was limited to the compatibility of the reservoir and refuge would be premature, given that FWS is so far along in the process of determining the future of the Neches River National Wildlife Refuge. The public hearings are complete and the environmental assessment for the Neches River National Wildlife Refuge is at the printer and will be released by the end of this week (March 25). After a 45-day public review, the environmental assessment and a management plan will be sent to the regional director and director of FWS for approval. FWS approval, which could be complete within the year, would allow up to 25,000 acres to be added to the refuge.

With the Fish and Wildlife Service actively making a decision about the Neches River National Wildlife Refuge and with the water from Fastrill not even being discussed for supply until forty years from now, DWU's eleventh-hour insistence on pushing (at the behest of the Upper Neches Municipal Water Authority) for a reservoir that has never before been considered and is not needed to meet their own consultant's recommended supply above projected demand would be premature at best.

It would be prudent for the Council to defer any decision about Fastrill studies until after FWS makes its determination about the refuge.