

Application for Federal Assistance SF-424		Version 02
*1. Type of Submission <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application		*2. Type of Application <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision *If Revision, select appropriate letter(s): * Other (Specify)
*3. Date Received:		4. Application Identifier:
5a. Federal Entity Identifier:		*5b. Federal Award Identifier:
State Use Only:		
6. Date Received by State:		7. State Application Identifier:
8. APPLICANT INFORMATION:		
* a. Legal Name: Willamette Partnership		
* b. Employer/Taxpayer Identification Number (EIN/TIN): 33-1103430		*c. Organizational DUNS: 043046983
d. Address:		
*Street1: 2550 SW Hillsboro Highway Street 2: *City: Hillsboro County: *State: OR Province: Country: USA *Zip/ Postal Code: 97123		
e. Organizational Unit:		
Department Name:		Division Name:
f. Name and contact information of person to be contacted on matters involving this application:		
Prefix: Dr. Middle Name:		First Name: Bobby
*Last Name: Cochran Suffix:		
Title: Executive Director		
Organizational Affiliation:		
*Telephone Number: (503) 681-4435		Fax Number: (503) 681-3603
*Email: cochran@willamettepartne		

Application for Federal Assistance SF-424

Version 02

9. Type of Applicant 1: Select Applicant Type: **M. Nonprofit**

Type of Applicant 2: Select Applicant Type:

- Select One -

Type of Applicant 3: Select Applicant Type:

- Select One -

*Other (specify):

*10. Name of Federal Agency:

USDA Natural Resources Conservation Service, Commodity Credit Corporation

11. Catalog of Federal Domestic Assistance Number:

10.912

CFDA Title:

Environmental Quality Incentives Program

*12. Funding Opportunity Number: **USDA-NRCS-NHQ-12-02**

*Title: **Conservation Innovation Grants Fiscal Year (FY) 2012 Water Quality Trading Markets**

13. Competition Identification Number:

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

*15. Descriptive Title of Applicant's Project:

Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond.

Attach supporting documents as specified in agency instructions.

Application for Federal Assistance SF-424

Version 02

16. Congressional Districts Of:

*a. Applicant **OR-001**

*b. Program/Project: **OR,ID,WA-all**

Attach an additional list of Program/Project Congressional Districts if needed.

17. Proposed Project:

*a. Start Date: **September 1, 2012**

*b. End Date: **September 30, 2015**

18. Estimated Funding (\$):

*a. Federal **\$1,589,751.00**

*b. Applicant

*c. State

\$1,607,240.00

*d. Local

*e. Other

*f. Program Income

*g. TOTAL

\$3,196,991.00

*19. Is Application Subject to Review By State Under Executive Order 12372 Process?

a. This application was made available to the State under the Executive Order 12372 Process for review on

b. Program is subject to E.O. 12372 but has not been selected by the State for review.

c. Program is not covered by E.O. 12372

*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)

Yes No

21. *By signing this application, I certify (1) to the statements contained in the list of certifications** and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)

**I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: **Dr.**

*First Name: **Bobby**

Middle Name:

*Last Name: **Cochran**

Suffix:

*Title: **Executive Director**

*Telephone Number: **(503) 681-4435**

Fax Number: **(503) 681-3603**

*Email: **cochran@willamettepartnership.org**

*Signature of Authorized Representative:

Date Signed: **3/1/12**

Application for Federal Assistance SF-424

Version 02

***Applicant Federal Debt Delinquency Explanation**

The following field should contain an explanation if the Applicant organization is delinquent on any Federal Debt. Maximum number of characters that can be entered is 4,000. Try and avoid extra spaces and carriage returns to maximize the availability of space.

B. Project Brief

Title: Multi-State Agency Guidance for Water Quality Trading (Joint Regional Water Quality Trading Agreement): State agencies building shared, regional trading policies for the Pacific Northwest and beyond

Start date: September 1, 2012 **End date:** September 30, 2015

Director: Bobby Cochran, Executive Director
Willamette Partnership
2550 SW Hillsboro Hwy, Hillsboro, OR 97123
(503) 681-4435
Cochran@willamettepartnership.org

Collaborators:

Ranei Nomura
Water Quality Trading Coordinator
Oregon Department of Environmental Quality

Claire Schary
Water Quality Trading Coordinator
US EPA Region 10

Barry Burnell
Water Quality Division Administrator
Idaho Department of Environmental Quality

David Primozich
Senior Director of Ecosystem Services
The Freshwater Trust

Helen Bressler
Water Quality Program
Washington Department of Ecology

Purpose. With real water quality transactions now happening in the Pacific Northwest and elsewhere, the need for federal and state alignment on regulatory guidance has never been more critical. State regulatory agencies in the Pacific Northwest are coming together with the US Environmental Protection Agency to develop a regional trading framework that achieves real water quality improvements, structured in a way that other states and regions can easily adapt or adopt. The goal of this project is to build state agency-approved guidance that works in the Pacific Northwest and is as “off the shelf” as possible, providing other states with an easily customizable template. With clear and consistent guidance from state regulatory agencies in place, regulated utilities (municipal wastewater treatment plants, electric power facilities) will be better able to confidently participate as buyers in water quality trading programs, and producers (farmers, foresters, and ranchers) will be better able to confidently participate as voluntary sellers of water quality credits.

Funding from the NRCS Conservation Innovation Grant Program will support state agency effort to develop a “Joint Regional Water Quality Trading Agreement” (Joint Regional Agreement). This agreement, to be developed by Oregon Department of Environmental Quality, Idaho Department of Environmental Quality, Washington Department of Ecology, and with active involvement from U.S. Environmental Protection Agency (USEPA) (see attached

commitment letters), will provide clear and consistent guidance on water quality trading in Oregon, Washington, and Idaho, including:

- Establishment of quality assurance standards for projects
- Establishment of project verification, credit calculation and registration procedures
- Adoption of common accounting methods

The Joint Regional Agreement will provide needed alignment and consistency among trading programs while maintaining essential state flexibility to address state-specific parameters. Just as the 2003 USEPA Water Quality Trading Policy promoted early programs, this multi-state agreement will drive the next leap in water quality trading by giving potential buyers increased confidence to work with producers, potential sellers certainty on what will count as a credit, and local watershed groups the ability to reduce start-up time and costs by easing transfer of innovation across state lines.

In addition to standardizing program elements in the three-state area, partners will coordinate with water quality trading programs currently under development in the Ohio River Valley, California, and Colorado in an effort to create consistent, multi-state program elements that drive cooperation and shared infrastructure – including a shared credit registration system. The Joint Regional Agreement will be structured, both legally and substantively, in a way that allows other states and regions to adopt or adapt the agreement – substantially easing the development of water quality trading programs in other parts of the country. The project will create a model for the multi-state coordination required as agencies seek to address water quality issues at major basin scales, such as the Chesapeake, Mississippi, Columbia, Colorado and Puget Sound.

By improving agency consistency across states, increasing confidence of buyers and suppliers of water quality improvements, and providing a model for multi-state guidance, the work completed under this proposal will set the stage to accelerate restoration activities on farm, ranch and forest lands, far beyond what would be possible otherwise.

Project Area/Location. This project will span Oregon, Washington, and Idaho. The market procedures developed through this project will provide a blueprint for other states seeking to standardize regional market activity. In addition, partners will coordinate with water quality trading programs currently under development in the Ohio River Valley, California, and Colorado.

Project Summary. Under this proposal, Oregon Department of Environmental Quality, Idaho Department of Environmental Quality, Washington Department of Ecology, and USEPA will come together to create a common set of procedures and guidelines, consistent with the Clean Water Act, that will ensure quality and transparency in trading programs – giving buyers, sellers, and the public the confidence to participate.

State agencies, in collaboration with USEPA in its oversight role, will lead most of the components of this project, with the Willamette Partnership providing support in coordination,

facilitation, and document management. The project will use Willamette Partnership's proven *Counting on the Environment* process to coordinate science and policy work across state lines and stakeholder interests. A working group of state water quality agency leads, USEPA Region 10, and The Freshwater Trust will review and process the recommendations made from technical groups focusing on the science and measurement of water quality improvements and the policy and protocol issues needed to support trading. The Willamette Partnership will actively facilitate these groups through a series of in-person and telephone meetings over the course of the project period. The Partnership will also work with the agencies and The Freshwater Trust to conduct other needed stakeholder processes with agricultural producers, utilities, environmental groups, and others to complete guidance. Throughout the project, partners will actively participate in national conversations on the multi-state agency guidance and common tools needed to support water quality trading.

The Joint Regional Agreement will follow a three-tiered structure that establishes consistent agency authorities and processes in Tiers One and Two, but allows individual state flexibility for the specific mechanics of trading in Tier Three:

- **Tier One: Multi-state Agency Guidance:** Legal authorities, guiding principles, and appropriateness of trades based on USEPA's 2003 Water Quality Trading Policy, but updated based on lessons learned and new information from current trading activity.
- **Tier Two: Standard Operating Procedures:** Common processes and mechanics shared across trading programs (e.g. considerations for baseline and other eligibility requirements, project quality guidelines, credit verification, monitoring and registration/reporting).
- **Tier Three: State Specific Addenda:** State-specific appendices that include unique baseline procedures, credit calculation methodologies, discounting and ratio factors, minimum quality standards for allowable conservation practices, etc.

With committed participation from all three state regulatory agencies and USEPA's participation (see attached commitment letters), the likelihood of project success is very high and the timing is ideal. All three state water quality agencies are co-applicants and have had experience working together on multiple environmental standards and guidance documents. The Willamette Partnership has a long history of working constructively with regulatory agencies. Over the last five years Willamette Partnership has helped lay the foundation for Oregon's active water quality trading program by developing credible standards and protocols and building broad consensus and support from public and private partners.

The groundwork is now laid to build the Joint Regional Agreement, but coordination will require a substantial and sustained effort that creates operational standards for credibility and transparency, while maintaining local, state-specific control of trading programs. NRCS Conservation Innovation Grant Program funding for the development of a "Joint Regional Water Quality Trading Agreement" in Oregon, Washington, and Idaho will advance the pace, scope, and effectiveness of water quality trading in the Pacific Northwest and beyond.

1. Project background. Since the first discussions began in Wisconsin's Fox River in 1981, enthusiasm around water quality trading has grown based on a long list of potential ecological and economic benefits for regulators, producers and communities. USEPA and its state agency counterparts see huge potential in trading, as it requires the rigorous quantification of environmental impacts, and helps drive "green" versus "gray" infrastructure development among regulated point sources. For example, a wastewater treatment plant might offset its phosphorus impacts through the restoration of streamside buffers on agricultural land, rather than through increased filtration at the facility. This potential re-targeting of point source compliance spending on farm, ranch and forest lands with non-point source impacts remains a key goal of water quality regulators around the country.

USDA and its services see huge potential in improving conservation participation among producers through this same re-targeting of water quality compliance dollars. Dollars once spent on concrete and steel at facilities could instead flow to restoration projects on agricultural land, with corresponding landowner incentive payments for voluntary participation. Further, restoration projects boost rural economies through supply and labor purchases, and generally improve community acceptance of conservation practices. In other words, water quality trading could help USDA realize the long-elusive "triple bottom line" of social, economic and environmental benefits from conservation.

Communities facing increasingly rigorous water quality requirements focus on water quality trading programs' potential to save millions in compliance spending. Environmental organizations see significant ecological benefits from trading, as restoration projects offer multiple and long-lasting ecosystem benefits. In Oregon, water quality trading to offset one utility's temperature impacts has resulted in the restoration of more than 35 miles of streamside vegetation. Another 30 miles will be required to offset a second utility's "thermal load" over the next few years. In addition to substantially better ecological results, this early trading in Oregon has driven \$20 million in new conservation funding to restore streamside shade, while saving rate payers at these two facilities more than \$70 million dollars.

The potential benefits of trading at scale, as illustrated by these examples from Oregon, are hugely significant for water quality, local communities, and producers. Point sources around the country are facing increasingly tough new restrictions on nutrients and temperature. These new restrictions will require massive investment in water quality improvements. Federal and state agencies have tried to keep pace with the evolving need for more ecologically effective and cost efficient compliance solutions. In 2003, USEPA issued its Water Quality Trading Policy, followed by other related documents in 2004 and 2007 to help permit writers and watershed groups evaluate point-source to non-point source trading. USDA developed preliminary guidelines in 2011 to help producers better engage in water quality trading, and is now working on updates to improve trading program implementation. Oregon, Idaho, Washington and 5 other state water quality agencies have each established some general form of water quality guidance.

Non-profit groups around the country have been among the most active in this arena, developing market tools, assessment approaches and credit measurement techniques. In fact,

funded by USEPA and NRCS, Willamette Partnership successfully completed its *Counting on the Environment* process in 2009 that created the fully functional infrastructure and regulatory agreements necessary to support trading of multiple ecosystem services in Oregon's Willamette River basin – one of the only fully operational systems in the country.

Still, trading programs throughout the U.S. require significant work to achieve a scale that will make a difference for water quality. Since USEPA issued its 2003 Water Quality Trading Policy, 72 programs have been initiated in the U.S. Of those, only 14 have agricultural producers actively delivering credits that point sources can use for permit compliance under the Clean Water Act (E. Branosky, pers. Comm., 2012). While momentum is clearly building in certain areas, such as the Pacific Northwest and the Ohio River basin, now is the time for more specific and significant encouragement and engagement from state water quality agencies on trading, with active participation of USEPA and USDA.

Project Need. The nutrient and temperature issues impacting our nation's freshwater ecosystems demand long-term and large-scale solutions. Water quality trading programs offer an innovative way to incentivize non-point source improvements; however, for these programs to scale regionally and nationally, increased confidence among buyers (regulated utilities) and sellers (agricultural producers) of water quality offsets is needed. Stakeholders across the country recognize the need for common, state agency-led guidance for water quality trading programs. Creating this clarity will enable agencies to actively promote water quality trading as a compliance alternative with established guidance, as opposed to reacting to individual project and program proposals. ***With real water quality transactions now happening in the Pacific Northwest and elsewhere, the need for federal and state alignment on regulatory guidance has never been more critical.***

To date, only eight states (ID, WA, OR, WI, CO, MI, OH, MN) have any water quality trading guidance at all, with none cooperating across state lines to ensure consistency. Early guidance on water quality trading must now be expanded to include lessons learned from more recent activity, with more states encouraged to participate. Just as the 2003 USEPA guidance broadened acceptance of trading programs and prompted early activity, the next jump in participation will come from state water quality agencies taking active leadership roles and generating joint regional agreements. Common, consistent guidance will give potential buyers confidence to work with producers, potential sellers certainty on what will count as a credit, and local watershed groups the ability to reduce start-up time and costs by easing transfer of innovation among states and regions.

Under this proposal, state agencies that regulate surface-water quality in the Pacific Northwest (Oregon Department of Environmental Quality, Idaho Department of Environmental Quality, Washington Department of Ecology, and USEPA) will come together to create a common and consistent set of procedures and guidelines that ensure quality and transparency in trading programs – a “Joint Regional Water Quality Trading Agreement.” This effort will mark a critical shift from agencies reacting to individual project and program proposals, to agencies actively promoting water quality trading as a compliance alternative with clear guidance.

Dedicated Federal funding will enable state water quality agency staff to focus attention and coordinate efforts to generate the Joint Regional Agreement needed to support credible and transparent trading at scale. Dedicated funding will also enable state agencies to participate in national discussions currently underway to standardize water quality trading elements across the United States. USEPA Region 10 staff will be actively engaged in this project, but no NRCS CIG funds will be used to support USEPA staff involvement.

Likelihood of Project Success. State agencies, in collaboration with USEPA in its oversight role, will lead most of the components of this project, with the Willamette Partnership providing support in coordination, facilitation, and document management (see Figure 1 on page 7). The Willamette Partnership's facilitation role was critical during the *Counting on the Environment* process that successfully established a "General Crediting Protocol in Oregon" in 2009, accepted by 25 state and federal regulatory agencies and interest groups. The Willamette Partnership has a long history of working constructively with regulatory agencies and over the last five years has helped lay the foundation for Oregon's active water quality trading program by developing credible standards and protocols and building broad consensus and support from public and private partners.

The Pacific Northwest is arguably the region of the country best-positioned to successfully develop a multi-state Joint Regional Agreement. Oregon, Washington, and Idaho state water quality agencies are committed project partners and have experience working together on other complex, multi-state water quality issues, such as "total maximum daily load" development for the Columbia and Snake Rivers, Columbia River total dissolved gas criteria, *USEPA Region 10 Guidance for Pacific Northwest State and Tribal Temperature Water Quality Standards*, etc. With cooperation from all three state regulatory agencies assured, the likelihood of project success is very high and the timing is ideal.

2. Project objectives. The primary objective of this effort is to secure multi-state consensus and USEPA support for a Joint Regional Agreement that will include: multi-state agency guidance; general restoration project and BMP quality standards; credit tracking procedures; and accounting methods for "credits" that can be used in water quality trading for nutrients (nitrogen and phosphorus) and temperature in Oregon, Washington, and Idaho. All three of these states and USEPA have some form of guidance or framework in place to inform water quality trading, providing a strong foundation from which to develop a Joint Regional Agreement. This project will foster needed alignment and consistency among trading programs while maintaining essential state flexibility to address state-specific parameters.

In addition to standardizing program elements in the three-state area, partners will coordinate with trading programs under development in the Ohio River Valley, California, and Colorado in an effort to develop consistent, multi-state program elements that drive cooperation and shared infrastructure – including a shared credit registration system. Close multi-state coordination and use of common infrastructure will improve the likelihood that water quality trading programs will expand throughout the United States. Consistency will also increase

transparency and credibility of programs, minimize start up and transaction costs over time, and grow confidence in trading as an acceptable compliance alternative. The project will create a model for multi-state coordination, essential as agencies address water quality issues at major basin scales such as the Chesapeake, Mississippi, Columbia, Puget Sound and Colorado.

The Joint Regional Agreement will follow a three-tiered structure that establishes consistent agency authorities and processes in Tiers One and Two, but allows individual state flexibility for the specific mechanics of trading in Tier Three:

- **Tier One: Multi-State Agency Guidance:** Legal authorities, guiding principles, minimum program requirements, and appropriateness of trades in TMDL and “pre-TMDL” scenarios based on USEPA’s 2003 Water Quality Trading Policy, but updated based on lessons learned and new information garnered from current trading activity.
- **Tier Two: Standard Operating Procedures:** Common processes and mechanics shared across trading programs including standard crediting procedures and common infrastructure, as well as standard language, process steps, and considerations to be included in TMDLs and NPDES permits to support trading. Standard operating procedures will also explore considerations for baseline and other eligibility requirements, project quality guidelines, credit verification, monitoring and registration/reporting.
- **Tier Three: State Specific Addenda:** Elements of trading that are unique to the ecological, economic, and socio-political needs of each state. State-specific appendices will include unique baseline procedures, credit calculation methodologies, discounting and ratio factors, minimum quality standards for allowable conservation practices, etc.

Challenges with water quality trading in the Chesapeake Bay and with the Climate Registry for carbon illustrate the need for regulatory processes that are state-centric, but regionally coordinated. Done correctly, a Joint Regional Agreement among the three Pacific Northwest states and USEPA could quickly spur adoption of similar agreements in other regions and states – a desired outcome of this project.

TIER ONE - Regional Guidance and Agency Authorities

- **Legal basis and guiding principles for trading.** USEPA’s 2003 Water Quality Trading Policy was completed before many of the active point-to-nonpoint- source trading programs were created. Additionally, guidance documents in Oregon, Washington, and Idaho need updating based on recent permits and trading activity. Tier One Regional Guidance should be the same across all states.
- **Frame conditions and general considerations to encourage water quality improvements in “pre-TMDL” areas.** Most of the 14 trading programs in place now around the United States are based on compliance with TMDL allocations. More specific guidance is needed for the development of trading mechanisms in pre-TMDL watersheds, to comply with water quality-based effluent limits in NPDES permits or to keep water bodies from becoming impaired. Project partners will establish a process for defining baseline conditions and providing certainty to permittees (credit purchasers) and producers (credit

sellers), including assurances that credits will be acknowledged when TMDLs or other regulatory documents are developed.

- **Outline minimum requirements for a water quality trading program.** A minimum set of conditions are needed for states to design and implement successful water quality trading programs. Project partners will develop a common set of basic requirements and a checklist to guide state agencies in the development and approval of trading proposals. This element will help ensure programs are consistent with federal laws, are transparent and credible, and will accomplish the promised water quality improvements.

TIER TWO – Standard Operating Procedures for Trading

- **Develop standard crediting procedures and common infrastructure.** Many benefits provided by Joint Regional Guidance will stem from the certainty and ease-of-use inherent in a standardized set of procedures and common definitions for water quality trading. The Willamette Partnership has developed templates for many of these procedures and they are being applied in watersheds across the Pacific Northwest. Standardization will also make agency evaluation and oversight of trading programs easier.
- **Create standard language, process steps, and considerations to be included in TMDLs and NPDES permits to support trading.** Experience in the Pacific Northwest illustrates that clear authorization for trading in TMDL documents and standard NPDES permit language creates stronger legal footing for trading and improves implementation. Standard Operating Procedures will provide clear language and steps for TMDL developers and permit writers to consider when establishing TMDLs or approving trading programs. Current USEPA guidance for permit writers does not provide the level of specificity needed for clear, consistent regulatory agency operations throughout the region. Standard Operating Procedures will apply region-wide (Idaho, Oregon and Washington) with acceptance and formal agreement by the three states and USEPA.

TIER THREE – State-Specific Addenda. Water quality trading programs are shaped by the ecological, economic, and socio-political needs of their given state or watershed, which makes complete standardization difficult. The Joint Regional Agreement will provide for State-Specific Addenda to accommodate these differences, which will also make it easier for other states and regions to adopt the Agreement, or use it as a model for a separate regional agreement.

- **Define modifications to the Standard Operating Procedure needed for each state.** Idaho, Oregon, and Washington will analyze their individual programs and statutory requirements and define protocols that address the specifics of water quality trading for each state.
- **Define credit calculation methodologies and minimum quality standards for conservation practices.** The methods for quantifying water quality improvements are becoming increasingly standardized. To the extent possible, states will try to adapt the same tools to quantify nutrient and temperature reductions, but individual states may need to determine their own crediting procedures for issues such as establishing baseline conditions.

Discussion of Innovation. State agencies and USEPA Region 10 are facing requests from multiple parties and permittees seeking guidance on water quality trading. Similar requests are occurring in USEPA Regions 8 and 9. Without clear and consistent guidance, programs will operate in isolation with different rules and with reduced overall transparency, increasing risk and uncertainty for regulators and permittees, and minimizing opportunities to implement programs at a watershed scale.

Clear, multi-state agency guidance is essential for water quality trading programs to operate, but only 8 states have any current guidance at all. The agencies implementing the Clean Water Act also wrestle with a tension between a desire for nationally consistent standards and the reality that watersheds need to be managed locally. This project provides the common state agency guidance, standard operating procedures, and framework to customize trading elements to each state. The deliverables from this project will enable states to quickly adopt or adapt shared trading program elements, enabling state water quality agencies and stakeholders to focus on the challenges unique to their locale and expediting the ability of producers to participate in trading programs.

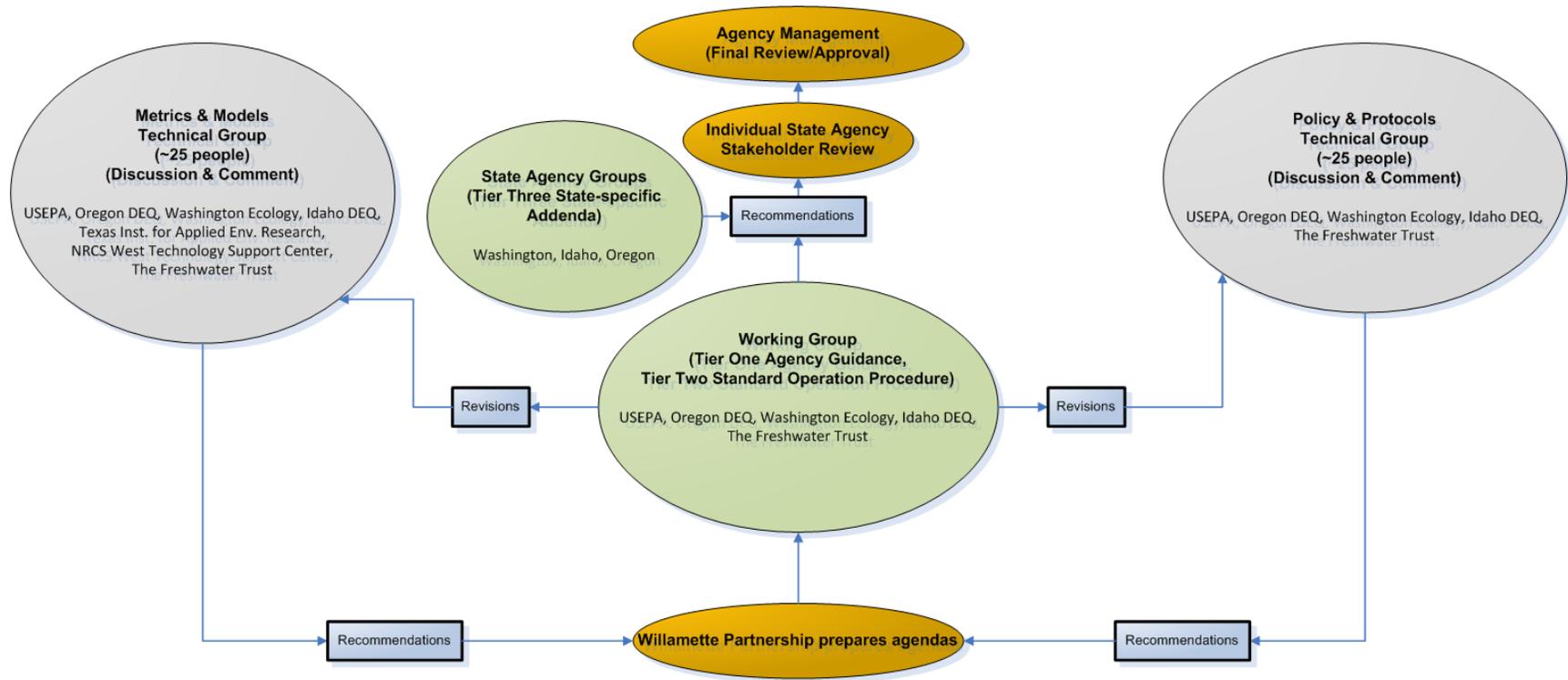
3. Project methods. The Willamette Partnership will build from its 2008/09 *Counting on the Environment* process to help USEPA Region 10 and the three state water quality agencies develop a Joint Regional Agreement. That process successfully achieved multi-stakeholder agreements on science, policy, and crediting protocols, across water and biodiversity markets. The Willamette Partnership will work with the agencies to conduct the needed stakeholder processes with producers, utilities, environmental groups, and others to complete multi-state agency guidance (See Fig. 1). Throughout the project, project partners will actively participate in national conversations on the state agency guidance and common tools needed to support water quality trading. The methodology for each element of the project is described below:

Task 1. Review 8 existing state water quality trading policies and convene agencies

The Willamette Partnership will review the 8 existing state trading policies (ID, WA, OR, WI, CO, MI, OH, MN) and USEPA guidance to identify common elements, inconsistencies, and gaps. The review will form the basis of a two-day kick-off workshop with USEPA Region 10 and the three state agencies to begin sorting trading program elements into Tier One Multi-State Agency Guidance, Tier Two Standard Operating Procedures, and Tier Three State-Specific Addenda.

The workshop will include presentations from each of the agencies on current regulatory authorities and operating procedures and gaps in existing tools. The agencies will form subgroups focusing on topics needing further development such as credit quantification, baselines, and developing legal authorities.

Figure 1: Joint Regional Water Quality Trading Agreement: Process Design



Willamette Partnership will help facilitate each group discussion and coordinate across groups

Task 2. Draft Tier One Multi-State Agency Guidance

Based on the action items from the kick-off workshop, each state agency will develop a list of additional state agency guidance and authorities needed to support trading and a set of comments on each state’s existing guidance. The list and comments will be used to create an outline of the Tier One Multi-State Agency Guidance with a series of options for standardizing that guidance. The Willamette Partnership will convene staff leads from each agency through a series of work sessions to develop a complete draft of the Multi-State Agency Guidance.

The State Guidance will include minimum requirements for a trading program, such as compliance with anti-degradation and anti-backsliding provisions and general programmatic elements that every trading program will need to address (i.e. trading areas, baselines, trading ratios for things like delivery, risk, and environmental benefit, assurances, verification, monitoring, credit registration, credit custody tracking, remediation strategies etc.).

Task 3. Draft Tier Two Standard Operating Procedures

Each state agency will assign a staff lead who will coordinate participation from their agency in two subgroups needed to develop Standard Operating Procedures for policies/permitting processes and technical/modeling. Those subgroups will complete the following subtasks.

Policy/Permitting

- Generate a comprehensive list of **acceptable trading scenarios** (for example, intraplant trading, intramunicipal trading, single buyer, multi-party closed market, etc.) based on pollutant(s) to be traded, size and hydrodynamics of the trading area, number and type of sources involved, pre-existing regulatory framework, stakeholder preferences, etc.
- Review federal and state guidance documents and available case law to create a **checklist of minimum requirements** for consideration.
- Determine **priority conservation practices** that give certainty of “high-quality” and effective restoration for use in compliance-grade offset credits.
- Develop **detailed criteria for viable trading program proposals**, including designated trading partners, a description of how proposed trades can be quantified for both point and non-point sources, and mechanisms/protocols for establishing reasonable assurances that proposed actions identified in the trading will be implemented and water quality improvements realized.
- Analyze and compile essential, **well-defined permit conditions**, including acceptable trades, minimum requirements for trading agreements, recordkeeping, monitoring, third party verification, serialized registration, and reporting requirements.
- Identify and develop guidance for the **required elements of permit evaluation** reports.
- Review and develop a standard method for assessing compliance with and **enforcement of trading proposals** in permits. Review Idaho, Oregon, and Washington’s existing enforcement regulations to determine if additional compliance and enforcement tools need to be developed to specifically address trading.

Technical/Modeling

- Determine how to establish nonpoint source “**baselines**”, including specific guidance in areas that do not yet have established TMDLs or will be completing a TMDL in the future.
- Define the **unit of trade**, or “credit,” that represents the amount of pollutant reduced over a specified **time period** by a particular action, and establish how these credits can be used.
- Agree to **credit calculation** tools/metrics, including adaptation across the states. If states wish to use specific quantification tools, those will be included in State-Specific Addenda.
- As part of this project, **Nutrient Tracking Tool (NTT)** will be considered as one credit calculation tool, and will be uploaded with crop management, soils, and climate data for Washington and Idaho by the Texas Institute for Applied Environmental Research and in

coordination with NRCS' West Technology Center. Agencies will work with local partners to identify sites to calibrate the outputs for NTT.

- Develop **trading ratios** which account for factors like *delivery* of pollutants into a stream, *equivalency* across different forms of pollutants, *uncertainty* tied to measurement and other forms of risk, and *retirement* for environmental benefits.
- Review current methods and develop new methods and procedures if needed that ensure compliance with NPDES permit requirements, including **testing protocols and monitoring**. Determine if additional methods should be developed specific to trading compliance.

Task 4. Draft Tier Three State-Specific Addenda

As agency staff and stakeholders identify issues specific to each state, they will be incorporated into State-Specific Addenda. These Addenda will help maintain consistency with standard operating procedures but will also maximize state flexibility to manage and control their respective programs. The bulk of the state-specific addenda are likely to include the following:

- Develop **minimum design criteria** for installing high quality conservation practices. These criteria will vary depending on actions, but will contain the specific project detail and standards needed to use those practices to generate credits.
- Identify criteria for **"trading areas"** and priorities within these areas.
- Identify criteria for **third party entities in each state to perform credit verification**. Third party verification of credits is critical to ensure that offsets used in compliance-based trading meet the highest ecological and regulatory standards.
- Review and select a **legitimate credit registry** to record and track trades in each state.
- Clearly define state policies on total project loss, remediation, and **force majeure**.

Task 5. Local, regional and national stakeholder engagement

Stakeholder engagement is critical for this project's success. Farm, ranch and forest interests, environmental groups, local governments, and utilities must support the three state agencies and USEPA in their effort to develop a Joint Regional Agreement. Managing communication and engagement among these many disparate constituents promises to be a massive effort, with primary responsibility falling on The Freshwater Trust (a project partner) during the project period. The Freshwater Trust will convene these stakeholders as required to maintain alignment on project outcomes. The Freshwater Trust's engagement here will also result in early supply and demand analysis for water quality trading across the three states, and set the stage for active trading activity immediately upon execution of the Joint Regional Agreement.

The intent of the Joint Regional Agreement is to kick-start a viable regional water quality trading marketplace, and provide a model other states and regions may adopt. Project partners will work with neighboring USEPA regions and states that have already expressed interest in basing their trading programs on tools developed in the Pacific Northwest. In addition to neighboring states and regions, project partners are already coordinating with trading programs being developed in the Ohio River Valley to maximize consistency and the use of common infrastructure where possible. In addition, USEPA Region 10 will share key developments and draft products with USEPA's Office of Water to support a consistent regional approach to implementing water quality trading.

Project partners strongly encourage and will actively participate in a “Water Quality Market Network” established by USDA with other CIG grantees, state agencies, and USEPA as a venue to share experience, coordinate program development, evaluate program components and results, and establish consistent tracking, reporting and verification parameters.

Task 6. Finalize Joint Regional Agreement and Reporting to NRCS

As a draft Joint Regional Agreement is completed, state water quality agencies, with support from USEPA Region 10, will make decisions together about the public processes needed to formalize the Agreement as multi-state agency guidance. This process may include one to two rounds of public comment and response. It may include outreach to stakeholders like wastewater utilities, environmental groups, producer groups, and tribes.

The Willamette Partnership will use its *Counting on the Environment* process to facilitate an agreement. That process includes in-depth convening to ensure the right individuals and organizations have a voice in the Joint Regional Agreement, structured communication throughout so that nothing in the Agreement is a surprise, and structuring of an agreement document that provides both flexibility and consistency. The Joint Regional Agreement may take several forms (e.g. formal agency guidance or a Memorandum of Agreement between agencies). The final form will be determined by state agencies and USEPA.

4. Location and size of project or project area:

This project will span Oregon, Washington and Idaho. This project will provide a blueprint for other states seeking to standardize regional water quality trading guidance.



5. Producer participation:

At least 4 EQIP-eligible producers will be directly involved in commenting on and shaping the state-specific appendices – a significant commitment. More significantly, this project will establish the regional framework needed for water quality trading programs to scale across the Pacific Northwest, with enormous benefits for EQIP-eligible producers. In Oregon alone, over \$20,000,000 has already been invested in restoration projects that generate water quality offsets, and another \$13,000,000 in credit transactions are planned over the next few years. Over 200 landowners, many of whom are EQIP-eligible, have or will soon participate in water quality trading programs by allowing conservation actions on their land, with attractive incentive payments in exchange. Though no CIG funds will be used to implement credit-generating projects or to provide payments to landowners for this project, a Joint Regional Agreement on Water Quality Trading offers significant long-term benefits for EQIP-eligible producers, as a new revenue stream that encourages conservation practices on farms, forests and ranches.

6. Project action plan and timeline

DESCRIPTION	Start	End	MILESTONES
Task 1. Review 8 trading policies & Convene Stakeholders			
Review of 8 state trading policies and USEPA policy Final process design and agendas	9/12	3/13	Convening Report
Task 2. Draft Tier One Multi-State Agency Guidance			
Develop review criteria for trading proposals Establish shared authorities and objectives Define general trading provisions	4/13	11/13	Draft Guidance Document
Task 3. Draft Tier Two Standard Operating Procedure			
Create shared policies (e.g. on trading ratios)			Draft Standard Operating Procedures Protocol documents
Update/validate nutrient & shade calculators for regional use Build permitting templates Define roles and governance	6/13	6/14	Nutrient and shade calculators for OR,WA,ID Standard permit language Draft roles and responsibilities
Task 4. Draft Tier Three State-specific Addenda			
Draft addenda for each state	12/13	12/14	3 Draft Addenda for OR, WA, ID
Task 5. Stakeholder Engagement			
Coordinate with local stakeholders, other CIG grantees, USDA, USEPA, and cooperating states	9/12	9/14	Local stakeholder convening, participation in national calls, comments incorporated from other states
Task 6. Finalize Joint Regional Agreement & Report to NRCS			
Secure final Joint Regional Agreement Develop handbook so other states can "sign on" to Agreement Complete Final Report to NRCS	12/14	9/15	Joint Regional Agreement endorsed by WA, OR, and ID state agencies Handbook for other states on steps needed to join the Agreement Final Report to NRCS

7. Project management. The project overall will use the *Counting on the Environment* process to coordinate science and policy work across state lines and stakeholder interests. A working group of state water quality agency leads, USEPA Region 10, and The Freshwater Trust will review and discuss the recommendations made from technical groups focusing on the science and measurement of water quality improvements and the policy and protocol issues needed to support trading. The Willamette Partnership will actively facilitate these groups through a series of in-person and telephone meetings over the course of the project period.

State water quality agencies, USEPA Region 10, and The Freshwater Trust staff will play central roles in delivering this project. Key personnel expected to participate include:

Bobby Cochran, Executive Director, Willamette Partnership, will be the lead facilitator and responsible for the overall project. Bobby has led complex inter-agency processes around water quality trading and other environmental markets since 2007. Those processes have led to agency rule changes, shifts in standard operating procedures, and other forms of coordinated action. Bobby has nearly 10 years of experience negotiating collaborative policy at the intersection of science, policy, and economics. He has a PhD from Portland State specializing in public policy and negotiation, and an MA in Conflict Resolution.

Ranei Nomura, Water Quality Trading Project Manager, Oregon Dept. of Environmental Quality. Ranei has 20 years of experience at OR DEQ in water quality permit policy, program, and rule development. For the past five years, as the agency's alternative compliance policy analyst, Ranei has been responsible for developing state water quality trading guidance and reviewing and approving trading program proposals. Ranei also participated in the Willamette Partnership's *Counting on the Environment* process and is part of the Klamath Tracking and Accounting Program interagency workgroup. She has a BA in Biology from Reed College in Portland, Oregon.

Michael McIntyre, Surface Water Program Manager, Idaho Dept. of Environmental Quality. Michael manages the Surface Water Programs for the State of Idaho Department of Environmental Quality. His staff develops policy direction for monitoring waterbodies, assessing waterbodies, developing TMDLs, and TMDL implementation plans. Michael's program has recently updated the Idaho Water Quality Pollutant Trading Guidance.

Helen Bresler, Water Quality Program, Washington Dept. of Ecology. Helen manages the Nonpoint and TMDL Programs for the Washington Department of Ecology. Her staff develops policy direction for both programs and oversees the work to ensure it meets the requirements of the Clean Water Act and state water quality standards. Helen is the author of Washington's Water Quality Trading/Offset Framework.

Claire Schary, Water Quality Trading Coordinator, USEPA 10. With 22 years of experience at USEPA, Claire's time in the Acid Rain Division helped establish the nation's first cap and trade program for sulfur dioxide emissions. She has been Region 10's Water Quality Trading Coordinator for the last 15 years and is considered a national expert on water quality trading.

She led USEPA’s team developing Idaho’s Lower Boise River Water Quality Trading Framework and USEPA’s Water Quality Trading Assessment Handbook. She also represented Region 10 in the national workgroup that created USEPA’s Water Quality Trading Policy and the Water Quality Trading Toolkit for Permit Writers. She has a BA in Economics from Carleton College in Northfield, MN and an MBA from Cornell University in Ithaca, NY.

David Primozich, Senior Director of Ecosystem Services, The Freshwater Trust. Mr. Primozich has more than a decade of experience engaging stakeholders to deliver informed decisions about the management and use of natural resources. Prior to joining The Freshwater Trust, he helped form and served as Executive Director of the Willamette Partnership, where he led efforts to shape emerging quantification science and infrastructure around ecosystem service payment systems to achieve more effective conservation results. At The Freshwater Trust, David has lead efforts to help NPDES permit holders apply rigorous new quality standards to temperature trading programs. In December 2011, David helped the City of Medford secure a wastewater permit that included a trading program that will yield roughly 30 miles of restored streamside shade, implemented entirely by a third party – a major milestone in the development of environmental markets. David has earned undergraduate degrees in Applied Science Agriculture and Anthropology and a master’s degree in Applied Anthropology.

8. Project deliverables/products. The Willamette Partnership and project partners will supply the required documents outlined in the RFP (e.g. semi-annual reports, justification of payment, etc.) and will participate in at least one NRCS sponsored event during the grant period. In addition to the required deliverables outlined in the RFP, the project will provide the following deliverables/products:

Deliverables	
<i>Task 1. Review 8 trading policies & Convene Stakeholders</i>	
1	Summary report of gaps in existing 8 state trading policies and USEPA policy
2	Convening report with process design, group membership, and process issues
<i>Task 2. Draft Tier One Multi-State Agency Guidance</i>	
1	Kick-off workshop agenda and action items
2	Working group agendas and action items
3	Draft Guidance Document
<i>Task 3. Draft Tier Two Standard Operating Procedure</i>	
1	Shade calculator updated and validated for OR, WA, ID
2	Nutrient calculator updated and validated for OR, WA, ID
3	Draft Standard Operating Procedure document with protocols, permit language, and roles and responsibilities
<i>Task 4. Draft Tier Three State-specific Addenda</i>	
1	OR Draft Addenda
2	ID Draft Addenda
3	WA Draft Addenda

Task 5. Stakeholder Engagement	
1	Engage local stakeholders/alignment on project outcome (Joint Regional Agreement)
2	Comments received from USDA, USEPA, and other states via national calls
3	Versions of Tier One and Tier Two documents that are applicable to other states
Task 6. Finalize Joint Regional Agreement & Report to NRCS	
1	Final versions of Multi-State Agency Guidance, Standard Operating Procedures, and State-specific addenda
2	Joint Regional Agreement supported by USEPA and state water quality agencies
3	Handbook for other states on steps needed to join the Agreement
4	Final Report to NRCS

9. Benefits or results expected and transferability. In general, project partners are interested in a single outcome from this work - more effective ways to maximize total pollution-reduction/water quality improvements achieved from dollars spent. The work completed under this proposal will set the stage to accelerate restoration activities on farm, ranch and forest land far beyond what would be possible otherwise.

This project centers on the Pacific Northwest, but partners will participate with other CIG grantees to ensure the Joint Regional Agreement can be adopted by other states and regions. Particular focus will be placed on reaching out to other western states in USEPA Regions 6, 8, and 9. Already, work is beginning with California’s North Coast Regional Water Quality Control Board in the Klamath River Basin to integrate water quality markets with the Klamath Tracking and Accounting Program. Under The Freshwater Trust’s current CIG, there is funding to convene a national network of regional market developers. Project partners will use the network to transfer the results of this grant and receive information about the innovations of other CIG grants. In turn, that network offers NRCS and others the capacity to more easily transfer market innovations to watersheds and communities.

The benefits of credible and transparent trading programs in general are clear for four stakeholders categories: 1) regulators gain new tools to incentivize restoration actions that improve water quality, and a standard method to quantify and verify outcomes from dollars spent and actions taken; 2) farmers, foresters, and ranchers with degraded riparian land gain access to new funding sources that enable them to take action more quickly and with higher quality standards; 3) regulated point sources get access to a compliance solution that is generally (often substantially) less expensive than technological solutions, and offers numerous secondary benefits (miles of stream banks restored and business for local contractors and suppliers); 4) the public is assured that steps are being taken to improve water quality conditions and that actions taken to offset ongoing impact are real, verified, tracked, and performing to a high quality standard over time.

10. Project evaluation. The Willamette Partnership will submit semi-annual progress reports and quarterly financial reports to NRCS. Prior to program launch, state agencies, with support

from the Willamette Partnership and The Freshwater Trust, will fully evaluate the legal, technical, and policy feasibility of joint action on various portions of the Joint Regional Agreement. The Partnership will keep records of action items and meeting summaries to ensure there is a record of discussion to help other states and regions consider adopting or adapting the Joint Regional Agreement.

Mid-way through the project, the state agencies and Willamette Partnership will assess current process design, status of deliverables, and progress toward objectives to see if any changes are needed.

Technical feasibility of transfer for the Joint Regional Agreement will be assessed based on the time taken to develop and reach agreement on the different shared agency policies and tools. This measure translates directly into cost estimates needed for other states.

D. Additional Information

1. References

- Idaho Department of Environmental Quality. Water Quality Pollutant Trading Website. <http://www.deq.idaho.gov/water-quality/surface-water/pollutant-trading.aspx>.
- Kling, C., & Secchi, S. (2011). *Natural Resources Credit Trading Reference*. United States Department of Agriculture Natural Resources Conservation Service. Retrieved from http://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/stelprdb1045650.pdf.
- Oregon Department of Environmental Quality. Water Quality Trading Website. <http://www.deq.state.or.us/wq/trading/trading.htm>
- Selman, M., Greenhalgh, S., Branosky, E., Jones C., & Guiling J. (2009). *Water Quality Trading Programs: An International Overview*. WRI Issue Brief, Water Quality Trading, No 1. World Resources Institute, Washington, DC.
- United States Environmental Protection Agency. (2003). *Final Water Quality Trading Policy*. Retrieved from <http://water.epa.gov/type/watersheds/trading/finalpolicy2003.cfm>.
- United States Environmental Protection Agency. (2004). *Water Quality Trading Assessment Handbook: Can Water Quality Trading Advance Your Watershed's Goal?* Washington, DC: National Service Center for Environmental Publications. EPA 841-B-04-001. Retrieved from <http://www.epa.gov/owow/watershed/trading/handbook/docs/national-wqt-handbook-2004.pdf>.
- United States Environmental Protection Agency. (2007). *Water Quality Trading Toolkit for Permit Writers*. Washington, DC: National Service Center for Environmental Publications. EPA 833-R-07-004. Retrieved from http://water.epa.gov/type/watersheds/trading/upload/2004_11_08_watershed_trading_handbook_national-wqt-handbook-2004.pdf.
- Washington Department of Ecology. (2010). *Draft Washington Water Quality Trading/ Offset Framework*. WDEQ 10-10-064. Olympia, WA. Retrieved from http://www.ecy.wa.gov/programs/wq/swqs/WQTradingGuidance_1010064.pdf.
- Willamette Partnership. (2009). *Ecosystem Credit Accounting: Pilot General Crediting Protocol: Willamette Basin v. 1.1*. Hillsboro, OR. Retrieved from <http://willamettepartnership.org/General%20Crediting%20Protocol%201.1.pdf>.
- Willamette Partnership. (2009). *Joint Statement of Agreement for an Ecosystem Credit Accounting System*. Hillsboro, OR. Retrieved from

<http://willamettepartnership.org/ongoing-projects-and-activities/nrcs-conservation-innovations-grant-1/Joint%20Agreement%20all%20signatures.pdf>

Bobby Cochran

(503) 681-4435 • cochran@willamettepartnership.org

Education

Portland State University, Ph.D. Urban Studies, M.A. Conflict Resolution, 2008

- PSU Laurels scholarship; Frank R. Roberts scholarship; Graduate assistantship
- Teaching: Urban Social Networks, Green Economics, Planning Methods II
- Dissertation: Giving process its due: Can collaboration help environmental markets succeed?

University of Southern California, Masters in Public Policy, Environmental Policy Concentration, 2003

- Dean's Merit Scholar 2003, 2002; Sustainable Communities Leadership Fellowship 2002

Cornell University, B.A. in Biology & Society, *Magna Cum Laude*, French Studies Concentration, 2000

- Udall Scholarship Finalist for work in environmental policy 1999, 1998
- Thesis: From this land is your land to this land is our land: Collaborative watershed planning...

School for International Training, Madagascar, Fall 1998

Conducted independent research project on land management policy & slash-and-burn agriculture and resented research paper at the 10th International Conference of the Society for Human Ecology.

Honors/Awards

Henry Luce Foundation Scholarship 2003: Selected as one of 15 scholars to spend a year in Asia in order to increase awareness of Asia among future leaders in American society.

Related Experience

Willamette Partnership, Hillsboro, OR

Executive Director

May 2010-Present

- Lead author on USDA guidelines for emerging water quality trading to be published in 2012
- Supervize organizational development, fundraising, staff, and strategic planning
- Oversee development of ecosystem service science and policy needed to generate crediting protocols
- Direct market activities for current credit types: salmon, wetlands, prairie, and water quality

Clean Water Services, Hillsboro, OR

Environmental Marketplace Analyst

May 2006-April 2010

- Managing state-wide process to develop and secure agency approval for credit generation protocols for multiple ecosystem services, including development of supporting tools and pilot projects
- Oversee pilot programs in the Tualatin to secure in-stream flows and conservation easements
- Provide analysis and organizing support to network of regional ecosystem services markets
- Design institutions, policies, and processes to support ecosystem service programs
- Present at regional, national, and international conferences on the dynamics of market design.

Defenders of Wildlife, West Linn, OR

Conservation Program Associate

December 2004-May 2006

- Advised Washington Biodiversity Council on conservation strategy and incentive recommendations
- Developed concept for an integrated marketplace for ecosystem services in the Northwest
- Developed white papers on conservation actions and voluntary conservation tools for fifty states to insert into their comprehensive wildlife conservation strategies
- Conducted social network survey of state wildlife planners that identified key players, patterns of information flow, and evolution of social structures

Bobby Cochran

(503) 681-4435 • cochran@willamettepartnership.org

Luce Scholarship, Asian International Rivers Center, Kunming, Yunnan Province, China

Project Manager/Visiting Fellow

September 2003-July 2004

- Developed report on using transboundary protected areas to resolve China-India border disputes.
- Acted as project manager on joint World Bank/World Wildlife Fund project exploring the impact of WTO accession on rural poverty and environment.
- Developed a web-based information system for Asia's major international river systems.

Related Experience (contd.)

San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy, Los Angeles, CA

Conservancy Project Development Analyst II

September 2000- June 2003

- Working with the Executive Officer, launched Conservancy operations (founded 2/1/00) for the first and largest urban state conservancy in the country covering 1460 square miles of low income areas, wilderness, high desert, and urban wetlands in 68 cities, two counties, and multiple jurisdictions.
- Secured approval of the Open Space Plan from 68 cities, two counties, and multiple agencies.
- Launched the Rio Hondo Watershed Plan, integrated environmental education into immigrant citizenship courses, and initiated land acquisition programs for high desert, foothill, and trail projects.

Summit to the Sea, Ventura, CA

Founder and Coordinator

February 2002-May 2003

- Created networks to link environmental education with strategic planning, policymaking, and action.
- Developed an environmental education strategic plan for the Southern California Wetlands Recovery Project focused on meeting the needs of underserved populations and linking social, economic and environmental justice agendas and programs.

Skills

- Consensus building, Public process facilitation, Collaborative planning, Mediation
- Quantitative/Qualitative policy analysis, Program evaluation & Implementation analysis
- GIS mapping and analysis, Website design and construction
- Language: French (proficient), Mandarin Chinese (basic)



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10**

1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

OFFICE OF
WATER AND
WATERSHEDS

Mr. David White, Office of the Chief
United States Department of Agriculture
Natural Resources Conservation Service
Conservation Innovations Grant Program
Post Office Box 2890
Washington, D.C. 20013-2890

RE: Support for CIG proposal: *Multi-State Regulatory Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond.*

Dear Mr. White:

We understand that the Willamette Partnership along with the Oregon Department of Environmental Quality (ODEQ), the Idaho Department of Environmental Quality (IDEQ), the Washington Department of Ecology (Ecology) and the Freshwater Trust (TFT) are pursuing a Conservation Innovations Grant from the Natural Resources Conservation Service (NRCS) to develop a standardized structure across the region that creates incentives for water quality trading to achieve environmental objectives in a scientifically robust, and financially efficient manner.

USEPA Region 10 is very interested in and supportive of the objective to develop a trusted and scalable tool for water quality trading and a standardized system that ensures credibility, transparency and proven performance to achieve water quality standards over time. While we have had some success in utilizing water quality trading to achieve water quality improvements in the Region and nationwide, we believe that water quality trading could be more fully utilized to help us achieve our mutual water quality goals more efficiently and cost-effectively. Our experiences show that some of the barriers to water quality trading are based in real concerns about regulatory uncertainty, inconsistency, and ambiguity about how trading programs for water quality credits and "pre-TMDL" offsets work, with different approaches taken by each state. We believe this project could result in the creation of a regionally consistent and robust guidance for water quality trading, with verifiable credit protocols, and a roadmap for both point sources and non-point sources to utilize. Such a tool could help parties identify important trading opportunities that will lead to water quality improvements. Therefore, to show our support for this effort, we plan to provide a senior staff representative to participate in the project.

I understand that the goal of this project is to develop a regional guidance and standard operating procedures that our states could adopt and follow.

USEPA Region 10 is very interested in being a key participant in the states' efforts to ensure that what is developed is consistent with the Clean Water Act and its implementing regulations, and enhances achievement of water quality goals through verifiable innovative watershed-based approaches. I can be reached at (206) 553-4198 if you have any questions.

Sincerely,



Michael A. Bussell, Director,
Office of Water and Watersheds

cc: Mr. Kelly Susewind, Program Manager
Water Resources, Washington State Department of Ecology

Mr. Barry Burnell, Administrator
Water Quality Division, Oregon Department of Ecology

Mr. Greg Aldrich, Administrator
Water Quality Division, Oregon Department Of Environmental Quality

Mr. David Primozich, Director
Ecosystem Services, The Freshwater Trust



Oregon

John A. Kitzhaber, MD, Governor

Department of Environmental Quality

Headquarters

811 SW Sixth Avenue
Portland, OR 97204-1390
(503) 229-5696
FAX (503) 229-6124
TTY 711

February 28, 2012

Chief David White
Department of Agriculture, Natural Resources Conservation Service
Conservation Innovation Grants Program
Post Office Box 2890
Washington, D.C. 20013-2890

Re: Oregon DEQ support for the Conservation Innovation Grant proposal

Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond

Dear Chief White:

The Oregon Department of Environmental Quality strongly supports the Conservation Innovation Grant proposal, *Multi-State Agency Guidance for Water Quality Trading*, submitted by the Willamette Partnership in collaboration with the Oregon DEQ, Washington Department of Ecology and Idaho Department of Environmental Quality with participation from U.S. Environmental Protection Agency Region 10 and The Freshwater Trust.

Oregon DEQ supports innovative mechanisms, such as water quality trading, for improving water quality and creating revenue to fund watershed restoration. As director of DEQ, I see value in the development of quality standards for restoration activities and a shared accounting infrastructure applied consistently throughout the Pacific Northwest to promote water quality trading programs. Currently, USEPA and the states of Oregon and Washington have separate water quality trading guidance. Approval of this grant would allow the states to develop consistent regional guidance, including state-specific practices as needed, with USEPA approval.

With funds from this grant award, I am committed to designating appropriate agency staff to work with Washington, Idaho and USEPA to develop an agreed-upon, standard approach. I encourage you to support funding of this grant to develop an aligned and consistent trading program for the region, which will also serve as a model for other regions in the country. Thank you for your consideration.

Sincerely,

Dick Pedersen
Director

cc: Greg Aldrich, DEQ
Ranei Nomura, DEQ
Bobby Cochran, The Willamette Partnership
David Primozich, The Freshwater Trust
Claire Schary, EPA
Alan Henning, EPA
Christine Psyk, EPA
Paula Van Hagan, EPA
Helen Bresler, Washington Department of Ecology
Barry Burnell, IDEQ



STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

PO Box 47600 • Olympia, WA 98504-7600 • 360-407-6000
711 for Washington Relay Service • Persons with a speech disability can call 877-833-6341

February 28, 2012

Mr. David White, Chief
Department of Agriculture, Natural Resources Conservation Service
Conservation Innovations Grant Program
PO Box 2890
Washington, D.C. 20013-2890

RE: Washington State Department of Ecology Support for the Conservation Innovation Grant Proposal: *Multi-State Regulatory Agency Guidance for Water Quality Trading: State Agencies Building Shared Trading Policies & Tools for the Pacific Northwest and Beyond*

Dear Chief White:

The Washington State Department of Ecology (Ecology) strongly supports the Conservation Innovation Grant (CIG) Proposal referenced above, submitted by the Willamette Partnership, with cooperation from the Oregon Department of Environmental Quality, Idaho Department of Environmental Quality, U.S. Environmental Protection Agency-Region 10, The Freshwater Trust and the Washington State Department of Ecology.

Ecology supports the concept of water quality trading when it can be implemented to meet the requirements of the Clean Water Act and State Water Quality Standards. In anticipation of potential trading in Washington, Ecology issued a Water Quality Trading Framework in 2010.

To date, there have been no actual water quality trades in Washington. However, we believe that many point source dischargers may wish to trade in the future in order to pursue more innovative approaches to meeting water quality standards, and/or as the costs to meet the effluent limits in their discharge permits continue to increase.

This CIG Proposal will help create the consistent quality standards, transaction procedures and common accounting infrastructure that are necessary if a water quality market is to work effectively. At the same time that it fosters market consistency, this proposal acknowledges that each state will have state-specific requirements for trading, and responsibility for developing those requirements resides with each state.

Mr. David White
February 28, 2012
Page 2

With funds from this grant award, I am committed to designating appropriate agency staff to work with Oregon, Idaho and the Environmental Protection Agency to develop an agreed-upon, standard approach.

I encourage you to support funding of this grant to develop an aligned, consistent water quality trading market system for the region, which may also serve as a model for other regions in the country.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ted Sturdevant', with a stylized flourish at the end.

Ted Sturdevant
Director

cc: Alan Henning , EPA
Christine Psyk, EPA
Claire Schary, EPA
Paula Van Hagan – EPA
Barry Burnell, Idaho Department of Environmental Quality
Ranei Nomura, Oregon Department of Environmental Quality
Greg Aldrich, Oregon Department of Environment Quality
Helen Bresler, Ecology, Water Quality Program
Kelly Susewind – Ecology, Water Quality Program Manager



STATE OF IDAHO
DEPARTMENT OF
ENVIRONMENTAL QUALITY

1410 North Hilton • Boise, Idaho 83706 • (208) 373-0502

C.L. "Butch" Otter, Governor
Toni Hardesty, Director

February 29, 2012

Chief David White
Department of Agriculture, Natural Resources Conservation Service
Conservation Innovations Grant Program
Post Office Box 2890
Washington, D.C. 20013-2890

Re: Idaho Department of Environmental Quality support for the Conservation
Innovation Grant proposal:

***Multi-State Regulatory Agency Guidance for Water Quality Trading: State Agencies
Building Shared Trading Policies & Tools for the Pacific Northwest and Beyond.***

Dear Chief White:

The Idaho Department of Environmental Quality (DEQ) strongly supports The Conservation Innovation Grant proposal, *Multi-State Regulatory Agency Guidance for Water Quality Trading*, submitted by the Willamette Partnership. This grant proposal was developed in close partnership with Oregon Department of Environmental Quality, Idaho Department of Environmental Quality, Washington Department of Ecology, with participation from U.S. Environmental Protection Agency Region 10 and The Freshwater Trust.

Idaho Department of Environmental Quality supports innovative mechanisms for improving water quality and creating revenue to fund watershed restoration. Idaho DEQ believes that there is value in consistent pollutant trading standards, transaction procedures and common accounting infrastructure applied to water quality trading programs throughout the Pacific Northwest.

Currently, the Environmental Protection Agency and the states of Oregon, Idaho and Washington have separate water quality trading guidance. Approval of this grant would allow the states to develop consistent regional guidance, including state-specific appendices, with Environmental Protection Agency approval. With funds from this grant award, Idaho DEQ is committed to designating appropriate agency staff to work with Oregon and Washington and the Environmental Protection Agency to develop an agreed-upon, standard approach to improve water quality through pollutant trading.

Chief David White
February 29, 2012
Page Two

I encourage you to support funding of this grant to develop an aligned and consistent trading program for the region, which will also serve as a model for other regions in the country.

Sincerely,



Curt A. Fransen, Director
Department of Environmental Quality

CAF:BNB:dls



Matthew Rodriguez
Secretary for
Environmental Protection

California Regional Water Quality Control Board
North Coast Region
David M. Noren, Chairman

www.waterboards.ca.gov/northcoast
5550 Skylane Boulevard, Suite A, Santa Rosa, California 95403
Phone: (877) 721-9203 (toll free) • Office: (707) 576-2220 • FAX: (707) 523-0135



Edmund G. Brown Jr.
Governor

February 29, 2012

Chief David White
Department of Agriculture, Natural Resources Conservation Service
Conservation Innovations Grant Program
Post Office Box 2890
Washington, D.C. 20013-2890

Re: California North Coast Regional Water Quality Control Board support for the Conservation Innovation Grant proposal: ***Multi-State Agency Guidance for Water Quality Trading: State Agencies Building Shared Trading Policies & Tools for the Pacific Northwest and Beyond.***

Dear Chief White:

The California North Coast Regional Water Quality Control Board (NCRWQCB) strongly supports The Conservation Innovation Grant proposal, *Multi-State Agency Guidance for Water Quality Trading*, submitted by the Willamette Partnership. This grant proposal is very consistent and supportive of our current work on the Klamath Tracking and Accounting Program (KTAP) for which the Willamette Partnership is providing direction and facilitation services. KTAP includes among others ODEQ and EPA Regions 9 and 10. Therefore we have a strong interest in the products described in this proposal.

The NCRWQCB supports innovative mechanisms for improving water quality and creating revenue to fund watershed restoration. NCRWQCB believes that there is value in consistent pollutant trading standards, transaction procedures and common accounting infrastructure applied to water quality trading programs throughout the Pacific Northwest, including the Klamath Basin.

Currently, the Environmental Protection Agency and the states of Oregon, Idaho and Washington have separate water quality trading guidance. California has yet to adopt any guidance. Approval of this grant would allow the states to develop consistent regional guidance, including state-specific appendices, with Environmental Protection Agency approval. NCRWQCB is committed to designating appropriate agency staff to work with Idaho, Oregon, and Washington and the Environmental Protection Agency to develop an agreed-upon, standard approach to improve water quality through pollutant trading.

California Environmental Protection Agency



Recycled Paper

I encourage you to support funding of this grant to develop an aligned and consistent trading program for the regions, which will also serve as a model for other regions in the country.

Sincerely,

Original Signed by

Catherine Kuhlman,
Executive Officer

120229_CIG_Support_Grant_Proposal

E. Assessment of Environmental and Social Impacts.

There will be no direct adverse impacts from this project.

1. Positive Impacts include:

Cultural resources. By unlocking revenue for producers to engage in conservation on their working lands, this project helps maintain the working lands that support rural communities across the Northwest while balancing environmental needs.

Wild and Scenic River. Over half of the nation's Wild and Scenic rivers flow through the Northwest. Oregon has 47 designated wild and scenic rivers including the Sprague, Sycan, and Klamath River where the Willamette Partnership is already advising the Klamath Tracking and Accounting Program on market design. The Snake River in Idaho and Klickitat River in Washington are other Wild and Scenic rivers where the Willamette Partnership and The Freshwater Trust have already actively engaged in market feasibility analysis.

Public health and human environment. This initiative targets water quality restoration that will benefit drinking water, flood protection, safer fishing, and recreation—all key to the Northwest quality of life and tourism economy.

Retention of sustainably managed working lands. Maintaining working lands by providing market-based incentives for ecosystem services means these lands will continue to provide the positive impacts referenced in this section into the future. Riparian buffers often affect marginal farmland and contracted annual payments with producers will diversify farm income.

Environmental justice. There will be no direct adverse impacts, but many positive direct and indirect impacts for low-income land owners and rate-payers from better conservation investment. Direct impacts will include payments to land owners, reduced utility rate increases, and employment through living-wage restoration jobs when municipal funds for achieving water quality standards are invested in locally built natural infrastructure rather than imported technology.

Atmosphere. Riparian forests reduce nitrogen dioxide formation and sequester carbon.

Soils. Riparian planting ensures that existing farming operations have minimal impact on soil erosion and do not compromise the stability of river banks and stream-beds.

Water. This initiative will enable new strategies and funds to address non-point source temperature and nutrient water quality impairments identified in TMDLs throughout the Northwest.

Wildlife Habitat/Endangered and Threatened Species. Incentives for restoration of riparian areas and other habitats created by this initiative will improve habitat conditions for a full suite of fish and migratory birds. Essential Fish Habitat for endangered Coho and Chinook salmon includes all streams, lakes, ponds, wetlands, and other water bodies currently or historically

accessible to salmon in Washington, Oregon and Idaho. The actions taken under this proposal will have positive benefits for the habitat these species depend on. A majority of on-the ground restoration projects undertaken as part of this proposal will occur on lands adjacent to these waters.

Invasive Species. Riparian planting resulting from trading programs will use only native plants, locally sourced where possible, and projects will be required to be rigorously monitored and maintained to control invasive until native vegetation is established. No adverse invasive species effects are expected, and this project could lead to better control of invasives through water quality credit generation.

BUDGET INFORMATION - Non-Construction Programs

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$	\$	\$
2.						
3.						
4.						
5. Totals		\$	\$	\$	\$	\$
SECTION B - BUDGET CATEGORIES						
6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY					Total (5)
	(1)	(2)	(3)	(4)		
a. Personnel						
b. Fringe Benefits						
c. Travel						
d. Equipment						
e. Supplies						
f. Contractual						
g. Construction						
h. Other						
i. Total Direct Charges (sum of 6a-6h)						
j. Indirect Charges						
k. TOTALS (sum of 6i and 6j)		\$	\$	\$	\$	\$
7. Program Income		\$	\$	\$	\$	\$

SECTION C - NON-FEDERAL RESOURCES

(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS
8.				\$
9.				\$
10.				\$
11.				\$
12. Total (SUM OF LINES 8-11)				\$

SECTION D - FORECASTED CASH NEEDS

13. Federal	Total for 1 st Year	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
		\$	\$	\$	\$
14. Non-Federal					
15. TOTAL (sum of lines 13 and 14)	\$	\$	\$	\$	\$

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT

(a) Grant Program	FUTURE FUNDING PERIODS (years)			
	(b) First	(c) Second	(d) Third	(e) Fourth
16.	\$	\$	\$	\$
17.				
18.				
19.				
20. TOTAL (sum of lines 16-19)	\$	\$	\$	\$

SECTION F - OTHER BUDGET INFORMATION

21. Direct Charges:	22. Indirect Charges:
23. Remarks:	

F. Budget Information

2. Detailed Budget

Personnel		TOTAL	FED	NON-FED
Executive Director (Willamette Partnership)	(1) staff at rate: \$ 55.00	\$ 124,245	\$ 124,245	\$ -
	Estimated hours in 36 months: 2259			
Specialist	(1) staff at rate: \$ 25.00	\$ 117,000	\$ 117,000	\$ -
	Estimated hours in 36 months: 4680			
Finance & Administration	(2) staff at rate \$ 23.00	\$ 28,704	\$ 28,704	\$ -
	Estimated hours in 36 months: 1248			
Total Personnel		\$ 269,949	\$ 269,949	\$ -
Fringe Benefits				
Total Fringe Benefits (Calculated at an average rate of 30.0%)		\$ 80,985	\$ 80,985	\$ -
Travel				
Airfare (assumes 28 tickets within the Northwest at \$200/ticket; and 8 tickets to DC at \$577/ticket)		\$ 10,216	\$ 5,108	\$ 5,108
Mileage & Parking (estimated 4 trips per week for project management and outreach at a total of 800 miles per week for 36 months at the federal rate in effect at the time of travel (currently \$0.555 per mile)		\$ 69,264	\$ 34,632	\$ 34,632
Hotel (assumes 100 nights at \$150/night for regional agency workshops)		\$ 15,000	\$ 7,500	\$ 7,500
NRCS Designated Travel		\$ 3,000	\$ 3,000	\$ -
Total Travel (3 trips/wk, avg. 600 miles, 93,600 total over 36 mos at \$0.50/mile)		\$ 97,480	\$ 50,240	\$ 47,240
Equipment				
	N/A			
Total Equipment		\$ -	\$ -	\$ -
Supplies				
Office supplies, computer support, postage, printing (est'd at 5% of Personnel)		\$ 13,497	\$ 13,497	\$ -
Total Supplies (paper, pens, postage, printing, etc.)		\$ 13,497	\$ 13,497	\$ -
Contractual (Work completed by project partners as consultants under contracts, MOAs, etc.)				
Contractual & Partner Participation for Project Deliverables from Proposal:				
A. State water quality agencies				
	1) Oregon DEQ, Washington DOE, Idaho DEQ	\$ 750,000	\$ 750,000	\$ -
	2) Facilitation	\$ 100,000	\$ 100,000	\$ -
B. Nutrient Tracking Tool adaptation to WA, ID				
	1) Texas Institute for Applied Environmental Research	\$ 75,000	\$ 75,000	\$ -
C. Engagement with national & neighboring western states				
	1) World Resources Institute	\$ 100,000	\$ 100,000	\$ -
	2) The Freshwater Trust	\$ 990,000		\$ 990,000
D. Local stakeholder engagement; supply & demand analysis				
	1) Engagement of other stakeholders (farm, ranching and forestry)	\$ 385,000	\$ 45,000	\$ 340,000
	2) Supply & demand analysis	\$ 275,000	\$ 45,000	\$ 230,000
Total Contractual		\$ 2,675,000	\$ 1,115,000	\$ 1,560,000
Construction				
	N/A			
Total Construction		\$ -	\$ -	\$ -
Other				
Workshop refreshments (assumes light breakfast (\$7/person), two lunches (\$30/person), and one dinner (\$20/person) for 7, 2-day agency workshops with 10 people in Seattle, Boise, and Portland)		\$ 6,090	\$ 6,090	\$ -
Telephone, equipment rental, occupancy (estimated at 20% of Personnel)		\$ 53,990	\$ 53,990	\$ -
Total Other (workshop refreshments, telephone, equipment rental, occupancy)		\$ 60,080	\$ 60,080	\$ -
Total Direct Costs				
Total Direct Costs		\$ 3,196,991	\$ 1,589,751	\$ 1,607,240
Total Indirect Costs				
	N/A	\$ -	\$ -	\$ -

3a. BUDGET NARRATIVE – YEAR ONE: \$1,078,164 (Federal Share \$542,416)

Personnel (\$89,983):

- *Executive Director (Willamette Partnership staff):* Throughout the project, oversight of all project elements, including completion of all deliverables, lead facilitator, reporting and documentation of success.
- *Specialist (Willamette Partnership staff):* Throughout the project, responsible for conducting research and developing options in response to state agency requests and facilitating all technical discussions.
- *Finance and Administration (Willamette Partnership staff):* Ongoing responsibility for expense tracking, invoicing, and contract compliance.

Fringe Benefits (\$26,995): Calculate at an average rate of 30%, which includes medical, dental, worker's compensation, LTD, social security, Medicare and retirement contributions.

Travel (\$32,493): Airfare estimated at 28 tickets for regional flights within the Northwest for project partners to attend 7 2-day workshops rotating between Seattle, Boise, and Portland. Cost of each ticket is \$200. The project also includes 8 tickets from Portland to Washington, DC for project partners to participate in national discussions on trading guidance. Cost of each ticket is \$577. Total airfare is \$3,405 in Year 1. The project will also provide 50 nights of hotel stays for project partners participating in those 7-day workshops at \$150/night for a total of \$5,000 in Year 1. Mileage and Parking estimated at three trips per week for project staff (management and facilitation) at a total of 400 miles per week traveled over 36 months, paid at the federal rate in effect at the time of travel (currently \$0.555 per mile). Total Mileage and Parking in Year 1 is \$23,088. NRCS designated travel for participation in required CIG collaboration is also included at \$1,000 for Year 1.

Equipment: N/A

Supplies (\$4,499): The Willamette Partnership holds a Support Services agreement with Clean Water Services who provides general office supplies, computer support, postage, and in-house printing and copying on a fixed rate of 5% of base salary per employee.

Contractual (\$904,167):

- **State Water Quality Agencies (\$283,333)**
 - A. *Oregon Dept. of Environmental Quality:* Oregon DEQ will assign at least 0.5 FTE of staff time dedicated to delivering the outcomes of this project. Staff will include Ranei Nomura, DEQ's Trading Project Manager and technical staff from DEQ's TMDL program.
 - B. *Idaho Dept. of Environmental Quality:* Idaho DEQ will assign at least 0.5 FTE of staff time dedicated to delivering the outcomes of this project. Staff will include

Michael McIntyre, DEQ's Surface Water Program Manager and technical staff from DEQ's TMDL program.

- C. *Washington Dept. of Ecology*: Washington Ecology will assign at least 0.5 FTE of staff time dedicated to delivering the outcomes of this project. Staff will include Helen Bresler, Ecology's manager for Nonpoint and TMDL program and technical staff from Ecology's TMDL program.
- D. *Facilitation*

Willamette Partnership will solicit quotes from professional facilitation teams to assist with the seven 2-day interagency workshops. The facilitation teams will have extensive experience working with the state water quality agencies and will be available to help them through some of the legal and policy challenges they encounter. It is estimated a facilitation team will cost between \$100-\$200/hour.
- ***Nutrient Tracking Tool Adaptation to Washington and Idaho (\$37,500)***
 - A. *Texas Institute for Applied Environmental Research*. Dr. Saleh and his team will upload the climate, soils, and crop management data files to allow Nutrient Tracking Tool to work for Washington and Idaho. Local stakeholders and the Willamette Partnership will conduct expert validation of NTT and Dr. Saleh's team will calibrate and adjust NTT based on that field testing. With the Willamette Partnership and Oregon DEQ, Dr. Saleh has already successfully adapted NTT for Oregon.
- ***Engagement with national and neighboring western states (\$363,333)***
 - A. *World Resources Institute (\$33,333)*. Todd Gartner and the World Resources Institute's water quality team will work early to engage neighboring western states to assess the feasibility of water quality markets and support their involvement in shaping this project's deliverables. Specific activity will be targeted toward Colorado Department of Public Health and the North Coast Regional Water Quality Control Board in California. World Resources Institute will also support the project partners' engagement with national and other regional efforts to standardized water quality markets. Mr. Gartner will charge at \$96.40/hour.
 - B. *The Freshwater Trust (\$330,000)*. The Freshwater Trust staff, including Director of Ecosystem Services David Primozich, Ecosystem Services Manager Alex Johnson, Ecosystem Services Director (WA), Ecosystem Services Director (ID) as well as numerous GIS, monitoring, restoration, financial and legal staff will provide robust support for state and federal agencies, as well as World Resources Institute and Willamette Partnership staff, on all aspects of project work. The Freshwater Trust staff rates vary from \$25 to \$85 per hour.
- Local stakeholder engagement; supply & demand analysis (\$220,000)

- A. *Stakeholder Coordinators.* Within each state, there will need to be coordination of local stakeholder engagement with the development of the Joint Regional Agreement. Local stakeholders include producers, wastewater utilities, environmental organizations, and others. Stakeholder coordinators will be contracted in each state to gather feedback, respond to comments, and develop opportunities to pilot and implement the Joint Regional Agreement. These stakeholder coordinators will be in OR, WA, and ID but may also work in neighboring states like CO and CA. Stakeholder coordinators will charge between \$50 and \$100/hr.
- B. *Supply & demand analysis.* The Freshwater Trust will provide critical analysis of market supply and demand, to demonstrate the importance of the project, reinforce agency commitment to developing the multi-state guidance, and serve as a “road map” for early market activity following the project period.

Other (\$20,026): The Willamette Partnership holds a Support Services agreement with Clean Water Services who provides telephone, equipment rental, and occupancy on a fixed rate of 20% of base salary per employee (\$17,996). The Willamette Partnership will convene seven 2-day agency workshops for 10 people, which include lunch (\$15/person) and dinner (\$20/person) on Day 1 and light breakfast (\$7/person) and lunch (\$15/person) on Day 2 for each workshop. Total refreshments for the workshop in Year 1 will be (\$2,030).

3b. BUDGET NARRATIVE – YEARS TWO (\$1,078,164) and THREE (\$1,040,664)

The budget assumptions described in Year 1 apply to Years 2 and 3 as well. Personnel, Fringe, Travel, Supplies, Contractual, and Other Direct costs will all stay steady over the 3-year course of the project. Tasks will shift from Tier I State Agency Guidance to Tier II Standard Operating Procedures to Tier III State-specific addenda, but level of effort will remain constant. The only difference will be in roll-out of Nutrient Tracking Tool for WA and ID, which ends after Year 2.

3c. BUDGET NARRATIVE – THREE YEAR SUMMARY

Item	Federal Total	Year 1	Year 2	Year 3
1. Personnel	\$269,949	\$89,983	\$89,983	\$89,983
2. Fringe Benefit	\$80,985	\$26,995	\$26,995	\$26,995
3. Travel	\$50,240	\$16,746	\$16,747	\$16,747
a. Airfare	\$5,108	\$1,702	\$1,703	\$1,703
b. Mileage/Parking	\$34,632	\$11,544	\$11,544	\$11,544
c. Hotel	\$7,500	\$2,500	\$2,500	\$2,500
d. NRCS travel	\$3,000	\$1,000	\$1,000	\$1,000
4. Equipment	\$0	\$0	\$0	\$0
5. Supplies	\$13,497	\$4,499	\$4,499	\$4,499
6. Contractual	\$1,115,000	\$384,167	\$384,167	\$346,666
a. State agencies	\$850,000	\$283,333	\$283,333	\$283,334
b. Nutrient Toll	\$75,000	\$37,500	\$37,500	\$0

c. Engagement	\$100,000	\$33,333	\$33,333	\$33,334
d. Local engagement	\$90,000	\$30,000	\$30,000	\$30,000
7. Other Direct	\$60,080	\$20,026	\$20,027	\$20,027
a. Workshop refreshments	\$6,090	\$2,030	\$2,030	\$2,030
b. Other	\$53,990	\$17,996	\$17,997	\$17,997
TOTALS	\$1,589,751	\$542,416	\$542,418	\$504,917

G. Indirect Costs

Not applicable, no indirect costs are claimed in this application

H. Matching

CASH SUPPORT:

The Freshwater Trust (CASH, letter of commitment attached) is committing **\$858,000** of its general fundraising support (from board giving, membership, corporate giving, foundations, fundraising events, etc.) to this project.

IN-KIND MATCHING SUPPORT:

The Freshwater Trust (IN-KIND, letter of commitment attached) will provide **\$749,240** in in-kind services for this project.

TOTAL MATCH SECURED (and supported with attached documentation): \$1,607,240

G. Indirect Costs

Not applicable, no indirect costs are claimed in this application

H. Matching**CASH SUPPORT:**

The Freshwater Trust (CASH, letter of commitment attached) is committing **\$858,000** of its general fundraising support (from board giving, membership, corporate giving, foundations, fundraising events, etc.) to this project.

IN-KIND MATCHING SUPPORT:

The Freshwater Trust (IN-KIND, letter of commitment attached) will provide **\$749,240** in in-kind services for this project.

TOTAL MATCH SECURED (and supported with attached documentation): \$1,607,240

**Pledge Agreement
Applicant In-Kind Contribution**

1) Donor Organization: The Freshwater Trust

65 SW Yamhill St., Ste. 200
Portland, OR 97204

2) Applicant Organization: Willamette Partnership

3) Project Title: *Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond*

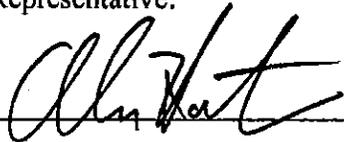
4) Description of cash contribution:

The Freshwater Trust is committing \$749,240 in-kind support to this project, for the following project budget elements:

- *Travel: \$47,240*
- *Contractual-Engagement with national & neighboring western states: \$445,500*
- *Contractual-Engagement of other stakeholders: \$153,000*
- *Contractual: Supply & demand analysis: \$103,500*

5): Pledge Statement: The Freshwater Trust pledges to make this in-kind contribution over the USDA NRCS 2012 Conservation Innovation Grants funding period as cash match to USDA NRCS CIG grant funds awarded to Willamette Partnership's project, *Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond*

Signature of Donor Organization Authorized
Representative:



Alan Horton
Managing Director, The Freshwater Trust

03/01/12

Signature of Applicant Organization Authorized
Representative:



Bobby Cochran
Executive Director, Willamette Partnership

03/01/12

H. Matching Support

**Pledge Agreement
Applicant Cash Contribution**

1) Donor Organization: The Freshwater Trust

65 SW Yamhill St., Ste. 200
Portland, OR 97204

2) Applicant Organization: Willamette Partnership

3) Project Title: *Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond*

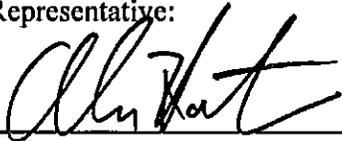
4) Description of cash contribution:

The Freshwater Trust is committing \$858,000 of its general fundraising support (from board giving, membership, corporate giving, foundations, fundraising events, etc.) to this project. Funds will be used for the following project budget elements:

- *Contractual-Engagement with national & neighboring western states: \$544,500*
- *Contractual-Engagement of other stakeholders: \$187,000*
- *Contractual: Supply & demand analysis: \$126,500*

5): Pledge Statement: The Freshwater Trust pledges to make this cash contribution over the USDA NRCS 2012 Conservation Innovation Grants funding period as cash match to USDA NRCS CIG grant funds awarded to Willamette Partnership's project, *Multi-State Agency Guidance for Water Quality Trading: State agencies building shared trading policies & tools for the Pacific Northwest and beyond*

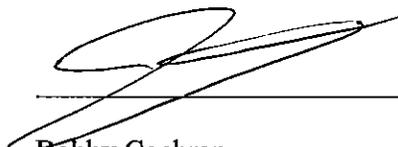
Signature of Donor Organization Authorized
Representative:



03/01/12

Alan Horton
Managing Director, The Freshwater Trust

Signature of Applicant Organization Authorized
Representative:



03/01/12

Bobby Cochran
Executive Director, Willamette Partnership

I. Declaration of Previous CIG Projects Involvement.

The Freshwater Trust: TFT was awarded funding from the 2011 National Conservation Innovation Grants program to complete the framework for water quality trades in Oregon and apply the framework on-the-ground in 2-3 Oregon watersheds. As of this writing, TFT has secured agreements with two regulated entities in Oregon (City of Medford and Metropolitan Wastewater Management Commission – Eugene/Springfield) to transact the first temperature credits in 2012. In addition, the U.S. Forest Service has committed to purchasing verified outcomes from projects implemented to the same rigorous quality standards as compliance grade credits. Projects purchased by the U.S. Forest Service will be tracked and monitored for conservation purposes (just like a credit) – setting an intriguing precedent for traditional conservation funders to become “conservation buyers”. TFT expects to have commitments from two additional public entities (City of Ashland and Port of St. Helens) and a second conservation buyer (Oregon Watershed Enhancement Board) secured by mid-2012. These six agreements represent more than \$13,000,000 in credit transactions and will result in more than 60 miles of streams restored. This work has laid the foundation for the regional agreement described in this proposal, and will help to inform the process.

Willamette Partnership: The Willamette Partnership’s *Counting on the Environment* process was funded in part through a grant from the national CIG program. The project created the infrastructure and regulatory agreements necessary to support markets for multiple ecosystem services in the Willamette River basin. It was built in a way that with minor adaptations could be adapted to new geographies and new credit types. This project will integrate the *Counting on the Environment* outcomes with other ecosystem market tools, and packaged them in a way that speeds transfers to other geographies. The Willamette Partnership also received support from the Oregon state CIG program in 2009 for the development of a nutrient trading tool and to fund the verification of pilot projects implemented using the protocols.

J. Declaration of Beginning Farmer or Rancher, Limited Resource Farmer or Rancher, or Federally Recognized Indian Tribe

Not Applicable

K. Declaration of EQIP Eligibility

At least 4 EQIP-eligible producers will be directly involved in commenting on and shaping the state-specific appendices – a significant commitment. More significantly, this project will establish the regional framework needed for water quality trading programs to scale across the Pacific Northwest, with enormous benefits for EQIP-eligible producers. In Oregon alone, over \$20,000,000 has already been invested in restoration projects that generate water quality offsets, and another \$13,000,000 in credit transactions are planned over the next few years. Over 200 landowners, many of whom are EQIP-eligible, have or will soon participate in water quality trading programs by allowing conservation actions on their land, with attractive incentive payments in exchange. For this project, no CIG funds will be used to implement projects to generate credits or to provide payments to landowners. But a Joint Regional Agreement on Water Quality Trading offers significant long-term benefits for EQIP-eligible

producers, as a new revenue stream that encourages conservation practices on farms, forests and ranches.

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application. 2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives. 3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain. 4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency. 5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F). 6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. 1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), which prohibits discrimination on the | <ol style="list-style-type: none"> basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and (j) the requirements of any other nondiscrimination statute(s) which may apply to the application. 7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases. 8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

<p>9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. 276a to 276a-7), the Copeland Act (40 U.S.C. 276c and 18 U.S.C. 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), regarding labor standards for federally-assisted construction subagreement.</p> <p>10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.</p> <p>11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in flood plains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).</p>	<p>12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 et seq.) Related to protecting components or potential components of the national wild and scenic rivers system.</p> <p>13. Will assist the awarding agency in assuring compliance will Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.).</p> <p>14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.</p> <p>15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.) Pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.</p> <p>16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.) Which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.</p> <p>17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."</p> <p>18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.</p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL 	TITLE Executive Director	
APPLICANT ORGANIZATION Willamette Partnership	DATE SUBMITTED 3/1/12	

M. DUNS Number: 043046983

N. CCR registration is active.