



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JUN 13 2012

Jessica Fox
Electric Power Research Institute
3420 Hillview Avenue
Palo Alto, CA 94304

Dear Jessica:

The United States Department of Agriculture highly commends you and your collaborators on the progress that the Ohio River Basin Water Quality Trading program has made over the last few years. We look forward to continuing our work with the project as you begin the pilot trading process.

Through the Office of Ecosystem Markets and the Natural Resource and Environment Mission Area's Regional Environmental Markets Initiative, USDA has established a longstanding commitment to the development of crediting and trading platforms that will result in payments to farmers and landowners and conservation investment opportunities for the private sector. These emerging markets will compliment the work that the Natural Resources Conservation Service is doing to advance conservation practices on the ground and will provide another tool for permitting authorities to use to improve water quality. Although USDA has been involved with several interesting and successful ecosystem service market projects to date, the Ohio River Basin Water Quality Trading effort sets itself apart by proving a tremendous opportunity to bring water quality trading to scale and show broad benefits.

Your project is innovative and unique in its regional and interstate focus, in the leadership that has been shown by the participating states of Ohio, Indiana and Kentucky, in the involvement of major stakeholder groups in the Basin, and in its strong emphasis on a scientific framework. At the same time, the project has been careful to appropriately build on past efforts. We also applaud you and your collaborators for holding listening sessions early on with producers in the Basin to address constraints and inform the development of the trading plan.

The pilot trades will test key technical, regulatory and economic components of a regional interstate trading program—a program that even in its pilot stage will handle more transactions than most current water quality trading programs in the country. Notwithstanding our enthusiasm for the progress achieved to date, please note that EPRI's pending Conservation Innovation Grant proposal will continue to be evaluated through the independent process and criteria established for the program. We are proud of the investments we have made in this project and we look forward to building on our foundation of work together as the project enters the pilot phase.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harris Sherman".

Harris Sherman
Under Secretary
Natural Resources and Environment