

**Request for Proposals for Producer Funding
under the Ohio River Basin Water Quality Trading Pilot Project:
Released to Eligible Soil and Water Conservation Districts.**

(Sample Template, used in 2013)

The Ohio River Basin (ORB) Water Quality Trading (WQT) Pilot Project is accepting proposals from Ripley, Switzerland, Ohio, Dearborn and Wayne counties in Indiana to provide cost-share for agricultural conservation projects that reduce loading of Nitrogen and Phosphorous to waterways in the Ohio River Basin. To estimate nutrient attenuation from the edge-of-field to the point of use, the project has calibrated the WARMF watershed model for specific watersheds within the Basin. Several counties throughout the Ohio River Basin have been chosen to participate in the pilot trades because they are in calibrated watersheds and provide opportunities for the project to test both intrastate and interstate trades. Producers in these counties are invited to submit funding requests per the instructions set forth in this application package.

If accepted, producers will sign agreements with their local Soil and Water Conservation Districts for the implementation of the conservation practices. Incentive payments (cost share dollars) are ultimately provided by the Electric Power Research Institute (EPRI), who is the program administrator. American Farmland Trust is a project partner with EPRI and will facilitate the application process, as detailed below. Additional details about the program can be found at www.epri.com/ohiorivertrading.

This RFP Package includes the following sections:

1. Pilot Project Overview
2. Pilot Project Application
3. Farm History Affidavit
4. Project Farm Inventory & Evaluation Form
5. Farm History Documentation for Baseline Eligibility
6. Sample for SWCD-Producer Contracts
7. Sample Producer Announcement for Funding
8. Questions and Answers for the SWCDs
9. Checklist for Qualification Criteria and Application Submittal

1. Pilot Project Overview

EPRI will be funding 30 or more projects to generate nutrient credits (1-3 projects per participating SWCD) in Ohio, Indiana and Kentucky. The SWCDs involved in the pilot trades should plan to submit their project applications to American Farmland Trust any time between X and X. SWCDs will be notified of selected projects on a rolling basis and approximately 2-4 weeks after full application submittal.

Responsibilities

The relevant State Agency, SWCDs, and landowners will have the following key responsibilities during the Pilot:

State Agency

- Follow agreement with EPRI.
- Provide funding to SWCDs.
- Review and prioritize project funding application for EPRI approval.
- Monitor, inspect and verify the implemented BMPs.
- Transfer the necessary documentation to EPRI on a rolling basis as BMPs are verified.

Soil and Water Conservation District

- Conduct outreach to landowners to secure their participation (can be accomplished through meetings, one-on-one contact, press release, or other means).
- Help producers complete the Ohio River Basin Water Quality Trading Pilot Project Application form.
 - American Farmland Trust is available to run the EPA Region 5 spreadsheet model to calculate the edge-of-field nutrient load reductions for any State Agency or SWCD lacking the capacity or resources to do so.
 - Each application should be accompanied by an affidavit signed by the farmer and a verification signed by the SWCD regarding farm practices and baseline eligibility.
- Review projects for eligibility, size, and value, and make funding recommendations to State Agency and EPRI. Please indicate if you think the producer can be described as an “early adopter” of conservation practices. State Agency will then complete a final review and submit to EPRI for final selection.
- After projects are accepted, collect the farm history data (farm records, if available, or other information detailed in Section 5: Farm History Documentation for Baseline Eligibility) to submit to EPRI.
- Make payments to the producer, up to 75% cost-share of the total practice costs.
- Provide technical service to landowners to implement and maintain BMPs.
- SWCD reimbursement is set at 10% of the producer contract amount.

Landowners

- Complete application with SWCD.

- If proposal is accepted, sign contract with SWCD, verify that the farm practice history documentation collected by the SWCD (e.g. aerial photos) is correct for your farm and submit any farm practice history records required in addition to this documentation.
- Implement and maintain BMPs.
- Allow verifiers to conduct annual monitoring, inspection and verification of BMPs.
- Willingness to participate in press event or other public notice regarding funding.

Project Selection

EPRI will make final funding decisions, based on recommendations by the SWCDs and State Agriculture Agencies. EPRI will be looking for the following elements:

- A range of different practices to gain maximum knowledge and understanding.
- Extent to which potential ancillary benefits are produced (species, carbon, air quality, etc).
- Extent to which priority concerns are addressed (for SWCD or State Agency).
- Willingness of producer to participate in media event or outreach to other producers.
- Nutrient reductions per dollar. The project estimates that the cost range per pound will be between \$1 - \$8/pound of annual nitrogen reduced.
- Agreement from producer to follow terms of the contract.

For projects that are selected:

- SWCD signs a contract with the producer to maintain the practice for up to 5 years. Structural practices will require a 5-year contract; seasonal practices are based on annual contracts that will automatically renew up to 5 years. Please reference EPRI sample contract for more information. SWCDs should submit the contract they propose to use to EPRI for review and approval before proceeding.

Pre-approved Counties and BMPs

Pre-Approved pilot counties (see attached county maps for designated trading areas):

Indiana: portions of Ripley, Switzerland, Ohio, Dearborn and Wayne counties

Kentucky: portions of Bracken, Boone and Mason counties

Ohio: Columbiana, Jefferson, Mahoning and Morgan counties

Pre-approved BMPs include: (1) cover crops, (2) nutrient management, (3) vegetative filter strips, (4) grass waterways, (5) livestock exclusion, (6) heavy use protection areas, and/or (7) conservation tillage. Other BMPs may be considered on a case-by-case basis.

All implemented BMPs should be designed and installed using appropriate State NRCS Practice Standards available through the appropriate Field Office Technical Guide, plus any additional

project requirements. If a producer wants to modify existing NRCS standards or maintenance specifications (e.g. allowing possible haying or grazing of buffer strips), they need to include an explanation of those modifications as part of their preliminary design application to the SWCD and State Agency. The State Agency will confirm that the modifications still result in nutrient reductions and notify the SWCD and producer to proceed with the project application.

Nutrient Reduction Estimates

The project is using the EPA Region 5 spreadsheet model for estimating nutrient reductions at the edge of field ([http://it.tetrattech-ffx.com/steplweb/models\\$docs.htm](http://it.tetrattech-ffx.com/steplweb/models$docs.htm)). If the SWCDs or their State Agency are not able to use this model to calculate load reductions for the producer applications, they can contact Ann Sorensen at American Farmland Trust (AFT) to run the spreadsheet, contact information provided below. The SWCDs will need to fill out the Data Sheet for the EPA R5 Spreadsheet Model and submit it to AFT (*note: this form along with some examples was sent separately to the SWCDs on April 8, 2013*). Once AFT receives that data, AFT will run the model and send the results back to the SWCD to incorporate into the application form.

Public Release of Information

Materials submitted to the state (e.g., application, farm practice history) may be subject to public requests for disclosure under a state's Freedom of Information Act or related disclosure laws.

Interactions with Media/Publicity

SWCDs and State Agencies must obtain EPRI approval before scheduling any media events and all public communications about this project must be reviewed by EPRI before publication.

FOR HELP WITH APPLICATION:

Name, Phone, e-mail

2. Ohio River Basin Water Quality Trading Pilot Project Application

Applications due between X and X

Project ID: Example: Johnson-145-09-01 _____
(Applicant Last Name-County FIPS-yy-BMP #)

County (SWCD): _____ (Must be a pre-approved pilot county)

SWCD Staff Lead: _____

SWCD Staff Lead e-mail: _____

Check appropriate title of Applicant (check all that apply): Owner Operator

Name: _____

Street Address: _____

City, State, Zip: _____

Telephone number: _____

Email: _____

Does this practice involve a partnership or joint venture with others? ___ Yes ___ No

Is the applicant also the landowner? ___ Yes ___ No

If not, is there written documentation of permission to install the practice/practices binding the landowner to the cost share if the tenant no longer rents/leases the land? ___ Yes ___ No

Type of operation (check all that apply): Cropland Livestock Other

Brief description of farm operation: _____

Location of practice(s): *include aerial photo or map that shows project location and nearest waterbody.*

Address: Same as above

Latitude: _____ Longitude: _____

Name of the nearest waterbody to the proposed project: _____

10-digit watershed number (optional): _____

The following questions refer to EQIP-eligibility:

Has the applicant exceeded their EQIP Payment Limitation? Yes No

Has the applicant exceeded the Adjusted Gross Income provision? Yes No

Is the applicant in compliance with the Highly Erodible Land (HEL) and Wetland Conservation provision?
 Yes No

List Practice(s) the applicant is proposing (attach additional sheets if necessary)

| Practice(s) | Quantity (# of acres or linear feet) | Total Estimated Cost of Practice | Calculated Annual Nitrogen Load Reduction (in lbs) TN | Calculated Annual Phosphorus Load Reduction (in lbs) TP |
|--------------|--|-------------------------------------|--|--|
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| | | | | |
| | | | | |
| | | | | |
| Total | | | | |

Note: SWCDs that need help calculating load reductions can fill out a data sheet form for a proposed project and submit it to asorensen@niu.edu or bbrandt@farmland.org. AFT will then run the model and report the annual N and P load reductions back to the SWCD.

Contact information for person calculating annual N and P loads with EPA R5 spreadsheet model:

How much funding (or cost-share) is being requested?

Total Dollars (cannot exceed \$10,000): _____

Percent of Practice Cost (should not exceed 75%): _____

| Estimated Payment by Year | | | | |
|---------------------------|------|------|------|------|
| 2013 | 2014 | 2015 | 2016 | 2017 |
| | | | | |

Describe the proposed practice(s) to be implemented (attach additional pages if necessary):

(Please include on-site photographs from farm showing current conditions if available.)

Baseline Eligibility

Have any of the proposed practices above been implemented on the farm since August 9, 2009?

Yes No

Are the proposed practice or practices being implemented a result of a regulatory action, as part of an existing settlement, or other legal action?

Yes No

Is applicant willing and able to demonstrate 3 years of farm practice history if the project is chosen (from August 9, 2009 forward)?

Yes No

What is the status of technical assistance provided for this project to date?

(Please check all that apply)

Initial Investigation Survey Design
 Conservation plan Self-Assessment

Has the applicant previously received cost-share for this practice? Yes No

If yes, please explain: _____

Potential Ancillary Benefits or Priority Concerns addressed (check all that apply)

Carbon Sequestration Soil Health and Erosion Pollinators
 Water Quantity Fertilizer Use Reduction Other
 Habitat Enhancement Rare Species
 Excessive Run-off Agricultural Viability



Is the applicant willing to participate in a media event or field day highlighting his/her involvement in agricultural publications? Yes No

Is the applicant aware that his/her Application and associated documents may be subject to public disclosure by way of a Freedom of Information Act request? Yes No

Briefly describe any prior conservation practices implemented by the Applicant:

I certify that this project meets program baseline eligibility requirements as set forth in the Trading Plan; that the project will comply with all local, state, and federal regulations; that the proposed practices are not otherwise required to meet a regulatory obligation; and that all statements contained herein are true and accurate.

Applicant Signature: _____

Print Name: _____

Date: _____

3. Farm History Affidavit

I hereby certify that I have available complete and accurate farm history records (the "Records") for the farm specified on the attached ORB WQT Pilot Project Application for farm practices from August 9, 2009 forward and that I will make these Records available upon request to my local SWCD and/or my state agriculture department, and the Electric Power Research Institute.

Applicant's signature _____

Date _____

Print Name _____

I hereby certify that I have examined the farm history records, photos, and or satellite images to confirm eligibility and that the BMPs proposed in the Application meet the ORB WQT Pilot Project baseline eligibility requirements as specified in the Trading Plan. I further certify that the project, as proposed in the Application, and the producer are in compliance with local, state and federal regulations.

SWCD staff signature _____

Date _____

Print Name _____

4. Project Farm Inventory & Evaluation Form

Client name _____

Farm # & Tract _____

Owner _____ or Tenant _____

Date _____ Evaluated by _____

Needs identified by land owner _____

___ Do you apply animal waste on this farm? (If Yes what fields and how much in each field (e.g.: 8 loads in field 4)) _____ - _____

___ Draw in field boundaries (fences) _____

___ ID primary field use & note secondary (i.e. hay/ fall pasture) _____ - _____

___ Mark surface water on map _____

___ Mark existing livestock water sources and note if livestock are excluded from streams _____

___ Municipal water _____

___ Wells _____

___ Pond water _____

___ Stream water _____

___ Springs (developed or undeveloped) _____

___ Livestock type & Number _____

___ Average Weight _____

___ Current Grazing System (continuous; rotated weekly, monthly, etc) _____

___ Winter feeding description _____

___ Pasture predominant forage _____

___ Hay predominant forage _____

___ Hay Cutting Schedule (what month) _____

___ Forage condition (seeded last year, add clover, needs seeding) _____

___ Mark gullies, critical areas, sink holes etc on map _____

___ Crop type rotation schedule and crops rotated with _____

___ Tillage type & Equipment (What order and how many passes of each piece) _____

___ Practices needed to address resource concerns drawn in each field & listed _____

___ Planned fence setback Y or N (circle one) How many feet? _____

___ Before Pictures of Planned Practices _____

___ Forest & Wildlife concerns _____

Evaluator notes:

I hereby certify that, to the best of my professional knowledge, the information contained in this project farm history evaluation form is correct and accurate, and has been verified by on-site field inspection and review.

Staff signature _____ Date _____

Print Name _____

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5. Farm History Documentation for Baseline Eligibility

PROGRAM BASELINE REQUIREMENT: For a producer to generate a credit, the farm must reduce its loading of TN or TP below current conditions (i.e., beyond what is currently being achieved with existing land uses and management practices) as of August 9, 2012 AND otherwise comply with presently-applicable legal requirements. Agricultural producers will need to provide three years of farm practice history to document their current conditions. Federal, state, and local incentive payments (also referred to as “cost share” dollars) or other federal, state, and local grant funding can be used to achieve current conditions; however, they cannot be used to generate credits.

Also, for the pilot trading period, applicants must be EQIP eligible (producers must not have exceeded their \$300,000 payment limitation, producers must not have exceeded the Adjusted Gross Income provision, and producers must be in compliance with the Highly Erodible Land and Wetlands Conservation Provision). However, they do not need to file paperwork with NRCS; simply complete the application package to certify that the producer is EQIP eligible.

SWCD staff should review the farm history with the farmer using the farm inventory and evaluation checklist during the project proposal phase and attach aerial and satellite imagery and farm maps to the application. The farmer and SWCDs will sign a baseline eligibility form that the proposed project meets baseline eligibility requirements. Once the project has been accepted for funding, the appropriate documentation listed below on previous farm practices should be submitted to EPRI if the SWCD has not already done so. The baseline demonstration will be maintained by EPRI and/or State Agencies [and on the registry]. The non-confidential portions of the baseline records may be made available to the public.

Farm History Documentation Requirements

Grass waterway

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of grass waterways in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of grassed waterway.

Alternative/supplemental: Some farms may have an EQIP Conservation Activity Plan completed by a Technical Service Provider that identifies the need for grassed waterways based on on-site inspection and evaluation (e.g. Agricultural Energy Management, Landscape or Organic Transition; Drainage Water Management; etc.). The CAP may help document the previous presence/absence of grassed waterways.

Vegetative filter strips

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of a filter strip in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of proposed filter strip.

Alternative/supplemental: Some farms may have an EQIP Conservation Activity Plan completed by a Technical Service Provider that identifies the need for vegetative filter strips based on on-site inspection and evaluation (e.g. Agricultural Energy Management, Landscape or Organic Transition; Drainage Water Management; etc.). The CAP may help document the previous presence/absence of vegetative filter strips.

Heavy Use Pads

Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of a heavy use pad in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of proposed heavy use pad.

Alternative/supplemental: For farms with nutrient management plans or comprehensive nutrient management plans, the technical documents can be used to document the absence of a previous heavy use pad. NRCS or SWCD technical staff may also be able to make an on-site determination of previous history.

Conservation tillage

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of conservation tillage in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Best times for field verification is spring (April 1 to June 30) or fall, after harvest from October 1 to November 30. Examining the fields in the fall for old residue is more challenging than in the spring because the old residue is more decomposed than in the spring and is often buried under the current year's harvested residue. Field verification after snowfall is not desirable. Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing acres under new tillage practices.

Alternative/supplemental: Farm Service Agency maps plus FSA-578 Forms (crops and acreage data) provide information about crop sequences.

Livestock Exclusion

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of a fenced riparian zone (similar to a filter strip) in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of proposed fencing.

Cover Crops

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of cover crops in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Remote sensing must be done between October - November or during March when the cover crop is actively growing. Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of cover crop.

Alternative/supplemental: Some farms may have an EQIP Conservation Activity Plan completed by a Technical Service Provider that identifies the need for cover crops based on on-site inspection and evaluation (e.g. Agricultural Energy Management, Landscape or Organic Transition; Drainage Water Management; IPM CAPs, etc.). The CAP may help document the previous presence/absence of cover crops. In addition, SWCD staff will have records from farmers who have received cost-share funds from federal or state sources for cover crop implementation.

Nutrient management

Preferred: Farm management records and sales receipts (fertilizer purchase records) from August 2009 to present to confirm current activities. These are unlikely to be falsified or inaccurate because they are critical records used to manage farm operations. However, farmers' records can be crosschecked with records from synthetic and organic N fertilizer suppliers if additional scrutiny is desired. Demonstrating that the farm is following a comprehensive nutrient management plan or nutrient management plan to make these reductions provides additional assurance that fertilizer reductions will be accompanied by the appropriate placement, rate and timing adjustments.

Forested Riparian Buffer

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of riparian buffer in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of riparian buffer.

Cropland converted to Pasture

Preferred: Remote sensing, including aerial and satellite imagery at a level of resolution appropriate to see the absence of riparian buffer in the area proposed 3 years prior to the project (in 2010, 2011 and/or 2012). Attach geo-referenced time-stamped aerial photograph with Tax Parcel Number and GPS coordinates and map of production area showing placement of riparian buffer.

Alternative/supplemental: Verify using FSA aerial maps and the associated FSA-578 form. Cropped acres or "croppable" acres will typically be assigned a field number on an FSA map and

these acres, by crop type, will be recorded on the FSA 578 form. Permanent pasture typically will not be assigned a field number on an FSA map and the pasture acres will not be recorded on FSA-578 form.

EPRI TEMPLATE

6. Sample for SWCD-Producer Contracts

See the following Pages.

EPRI TEMPLATE

**[Name] Soil and Water Conservation District
Ohio River Basin Interstate Water Quality Trading Project**

Producer Agreement

[Seasonal / Structural] Practices

| | | | | |
|-------------------------|------------------|--|----------------------|--|
| | Tract No. | | Agreement No. | |
| Name of Producer | | | | |
| Address | | | | |
| City | | | Zip | |
| Phone | | | | |

| Planned Practice(s)¹ | Estimated Payment By Year² | | | | |
|--|--|-------------|-------------|-------------|-------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| | | | | | |
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| | | | | | |
| Actual payment | | | | | |
| Estimated Credits (N and/or P) | | | | | |
| Actual Credits (N and/or P) | | | | | |

¹ Note: Attach additional pages clearly describing practice(s) and schedule of installation (if applicable).

² Note: For seasonal practices, the term of agreement is only 1 year and, as a result, only one column needs to be filled in. For structural practices, the term of agreement is 5 years and up to 5 columns may be filled in (depending on whether the agreement is structured with 100% payment up front or instead staggered with installment payments over the term).

Estimated cost of practice(s) \$ _____ (determined by SWCD in consultation with Producer).

Payment not to exceed \$ _____ (determined by SWCD in consultation with EPRI).

Owner/Operator Responsibilities:

I (we), the undersigned owner(s)/operator(s), agree to participate in the Ohio River Basin Interstate Water Quality Trading Project by installing and maintaining the practice(s) indicated above.

I (we) understand that the payment received is calculated based on a percentage of the costs established by the USDA Natural Resources Conservation Service (NRCS) practice payment schedule. The nutrient load reductions achieved at the edge of the farm field will be estimated using the EPA Region 5 spreadsheet model. All credits resulting from those reductions will inure to the benefit of the Electric Power Research Institute (EPRI) or EPRI's designee to use and apply as described in the Pilot Trading Plan, a copy of which I (we) have received, read and understood.

I (we) agree:

1. To maintain my (our) eligibility, baselines and minimum quality standards for the project pursuant to Appendix E, Section 4 of the Pilot Trading Plan.
2. To install and thereafter maintain the practice(s) indicated above through the term of this agreement.
3. To maintain all records generated under, or relevant to, this agreement and to make those records available for review by the SWCD and its designees.
4. To allow reasonable access at reasonable times by the SWCD and its designees to monitor, inspect and verify the practice(s) indicated above.
5. To take or cause to be taken, in consultation with the SWCD, all appropriate precautions to prevent the failure of a practice, and to initiate immediate and appropriate corrective action upon discovery of a failure in any of the practice(s) indicated above.
6. To coordinate closely and in good faith with the SWCD on the parties' shared goal of efficient, effective and, wherever possible, amicable resolution of any problems or disputes.
7. That annual payments (if applicable) will be conditioned on annual verification of the practice(s) indicated above.
8. That any failure in any of the practice(s) indicated above that continues unabated for more than 90 days, or is corrected and then recurs within a 12 month period, may result in cancellation of this agreement. In the event of cancellation, the SWCD shall have the right to recover the amounts paid hereunder (up to and including the full amount indicated above).
9. That EPRI and the (State Agency) shall be third party beneficiaries under this agreement, with a direct right (but not obligation) of enforcement in the event of a threatened or actual gap, defect, or failure in any of the practice(s) indicated above, or resulting loss of nutrient credits.

10. That all items of cost upon which reimbursement is requested must be supported by receipts for payments made to vendors and/or a list of owner/operator time, equipment, and costs. All such supporting information must be verified by the SWCD as proper and reasonable.
11. That I (we) may not sell, convert or otherwise encumber the property in any manner that reasonably could (a) interfere with implementation, operation or maintenance of the practice(s) indicated above, (b) violate any of the prohibitions in Section 4 of the Pilot Trading Plan, or (c) impair my (our) ability to meet (or continue to meet) the eligibility criteria, baselines or minimum quality standards set forth in Appendix E, Section 4 of the Pilot Trading Plan.
12. That I (we) hereby agree that EPRI shall hold all right and title to any additional environmental credits, other than nutrient credits, including, but not limited to wetland, stream, or species credits, generated from of otherwise associated with implementation of the practice(s) specified herein.
13. That my (our) tenants, successors and assigns shall be bound by my (our) obligations under this agreement.
14. That this agreement will continue in effect for, in the case of structural practices, a period of five (5) years, commencing on the date that it is signed below and, in the case of seasonal practices, for an initial period of one (1) year, commencing on the date it is signed below, and shall thereafter automatically renew during each successive year for up to five (5) years, unless terminated by one of the parties. The parties may extend or renew the term by mutual agreement, but no such extension or renewal will be effective unless it is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed on this ___ day of _____, 201_, by their signatures below.

| | |
|--|---------------|
| <i>(Owner/Operator)</i> | <i>(Date)</i> |
| <i>(Authorized Representative from SWCD)</i> | <i>(Date)</i> |

Attachment: Description of practice(s) to be installed

7. Sample Producer Announcement for Funding

If your district would like to announce the availability of funds through this project, the following text is offered as an option. You need approval from the Electric Power Research Institute to make public announcements related to this project.

DATE 2013

The _____ Soil and Water Conservation District announces a unique funding opportunity for producers considering conservation practices that limit the run-off of nutrients and protect water quality for their operations. This county is one of 11 counties in Ohio, Indiana and Kentucky chosen to participate in testing the nation's first interstate Water Quality Trading market. The Electric Power Research Institute and American Farmland Trust are leading the effort to develop the market in collaboration with power companies, federal and state agencies, agricultural organizations, academia, the private sector and other industry organizations.

The Ohio Department of Natural Resources, Ohio Environmental Protection Agency, Indiana State Department of Agriculture, Indiana Department of Environmental Management, Kentucky Division of Conservation and Kentucky Department of Environmental Protection signed the trading plan for the new market on August 9, 2012. Now the SWCDs will help test that framework in 2013-2014. In a water quality trading market, regulated entities that discharge into rivers and streams like utility companies, municipal wastewater treatment plants and industries can invest in agricultural conservation practices on farms and ranches and the resulting reductions in nutrient run-off to adjacent rivers become part of their permit compliance.

For producers, participating in this pilot trading market will be similar to participating in federal or state conservation cost-share programs. Producers with successful applications will install and maintain the proposed conservation practice(s) using existing USDA NRCS standards or maintenance specifications; the producer will sign a contract with the SWCD for the practice that renews annually up to five years; and a State Agency representative will inspect the practice(s) annually to verify it is working and being maintained. The program will pay producers roughly 75 percent cost-share on the total project costs up to \$10,000. The funding for the installation of conservation practices comes from private sources.

There are also some important considerations:

- The proposal process consists of a 4-page application form for the producer to fill out with SWCD staff. There is also an affidavit that both the producer and SWCD sign that affirms the producer has three years of farm practice history (from August 9, 2009 forward) and will be willing to share that history, verbally or written, with the program if the proposal is accepted. The farm practice history will help the program verify that the proposed practice(s) is new to the farm operation.

- Since this is a new opportunity for producers, the application asks about willingness to participate in press events or other public notice regarding funding and consider helping in outreach to other producers.
- As this project is partially funded through a USDA NRCS Conservation Innovation Grant, producers must meet EQIP eligibility requirements to participate, although they do not have to file paperwork with their local NRCS office.

The pre-approved conservation practices include: cover crops; nutrient management; vegetative filter strips; grass waterways; livestock exclusion; heavy use protection areas; and/or conservation tillage. The program will consider other conservation practices on a case-by-case basis. For more information about this innovative program, please contact:

Applications are available now through _____ . The application deadline is _____ .

The District will likely fund up to 3 projects and will notify success applicants by _____ .

EPRI TEMPLATE

8. Questions and Answers for the SWCDs

Questions and Answers

- Is it okay for Indiana to have an RFP while OH does not?
 - Yes, each state and SWCD can choose their preferred method for producer engagement.
- Is there a cap on individual contracts?
 - Yes. The payment limit per producer contract is \$10,000.
- What will be the SWCD reimbursement?
 - Up to 10% of producer contract.
- Are structural designs required before project is approved and under contract?
 - No, they are not required until contract is in place.
- Is there a standard payment per practice?
 - No, we select projects based on the cost per pound of TN reduction, not on the practice type. Since efficiency of practices varies depending on farm location, soil types, slope, and other factors, we are not able to set a standard payment per practice.
- Is there a 24h notification requirement to do on-site monitoring of the BMP?
 - Yes. The model agreement provides for reasonable access with reasonable notice with a minimum of a 24 h notification.
- Is a conservation plan required for farmers to participate?
 - No, unless it is required by law (baseline requirement).
- Are farmers required to be EQIP eligible?
 - Yes, however they do not need to submit any paperwork to their local NRCS office. All they need to do is complete the forms provided in this application package.
- What information do we collect to confirm that farmers are EQIP eligible?
 - The only information you need are the answers provided in the application form. No additional forms are needed.
- Do we need to fill out a NRCS CPA 52 form for the project (environmental evaluation worksheet required by NRCS)
 - No. A NRCS CPA 52 form is not needed.

- If a BMP fails or otherwise does not function, are farmers required to re-install the BMP or compensate EPRI for the failed practice?
 - Farmers, in consultation with the SWCD, are expected to take all appropriate precautions to prevent the failure of a practice, and to initiate immediate and appropriate corrective action upon discovery of a failure.
- To what extent will personal information be publicly released in the project?
 - Since the State Agencies are involved in the application process, the applications, farm practice history and other application package documents may be subject to a Freedom of Information Act (FOIA) request.
- What is the payment schedule?
 - The model agreement gives SWCDs flexibility, but the expectation is that payment will not be made until the BMPs have been verified and/or costs incurred. Since verification occurs annually, payments will need to be made in installments over the term of the agreement. Some adjustments may be needed for structural practices, where the producer cost is during initial installation.
- If the land owner just purchased the farm, they may have only a one year history on management practices. Will that be enough?
 - The state can use aerial layers they use for their GIS maps (2008, 2010 and 2012) and this may suffice in some cases. For seasonal practices, we've also provided some possibilities for alternative documentation.
- If the landowner doesn't maintain the practice, are the SWCDs liable?
 - The producer will be subject to recovery of the funds provided. The program has set aside a buffer pool of credits to address these types of problems so that the overall program maintains integrity. For structural practices, the State Agency reserves the right to collect the money paid to the farmer according to the contract terms. For seasonal practices paid on an annual basis, the SWCD can stop paying them and give the remaining funds to another farmer in the county who can generate equivalent credits. If there isn't another farmer available, the State Agency may move the funds to another district. The SWCD must immediately notify the State agency and EPRI of any discovery of failure in BMP.
- What if the SWCD lacks the capacity or resources to run the EPA R5 spreadsheet calculator?
 - Fill out the data sheet for the EPA R5 Spreadsheet Model provided by AFT. AFT will calculate the number of credits generated and return those numbers to you. You can send the information NAME, e-mail.

9. Checklist for Qualification Criteria and Application Submittal

Qualification Criteria

- Applicants must be EQIP eligible (producers must confirm EQIP eligibility in the application form: Have not exceeded their \$300,000 payment limitation, have not exceeded the Adjusted Gross Income provision, and are in compliance with the Highly Erodible Land and Wetlands Conservation Provision).
- Documentation of farm practice history for baseline confirmation is available (August 9, 2009 to present)
- Application request is not to exceed \$10,000.
- Project is located in an eligible area in one of the following counties:
- Practice proposed will reduce loading of TN or TP below current conditions, as defined by the farm's last 3 years of operations.
- The applicant is in compliance with all applicable federal and state water quality requirements.
- Federal, state, and local incentive payments (also referred to as "cost share" dollars) or other federal, state, and local grant funding can be used to achieve current conditions; however, they cannot be used to generate credits.

Application Submittal

- Completed Water Quality Trading Pilot Project Application signed by producer and SWCD staff.
- Farm History Affidavit signed by producer.
- Project Farm Inventory & Evaluation Form signed by SWCD.
- Applications due via e-mail between **X and X**

Questions and Application Submittal via e-mail to:

Name, phone, e-mail.