

**Sagebrush Ecosystem Program**

201 Roop Street, Suite 101  
Carson City, Nevada 89701  
Telephone (775) 684-8600  
Facsimile (775) 684-8604

www.sagebrusheco.nv.gov



**Jennifer Celio**, Program Manager  
**Melissa Faigeles**, State Lands  
**Chris Katopothis**, Forestry/Wildland Fire  
**Kelly McGowan**, Agriculture  
**Vacant**, Wildlife

**STATE OF NEVADA**  
**Sagebrush Ecosystem Program**

**SAGEBRUSH ECOSYSTEM COUNCIL**  
**STAFF REPORT**

**MEETING DATE: June 29, 2016**

**DATE:** June 17, 2016

**TO:** Sagebrush Ecosystem Council Members

**FROM:** Sagebrush Ecosystem Technical Team  
Jennifer Celio: [jcelio@sagebrusheco.nv.gov](mailto:jcelio@sagebrusheco.nv.gov)  
Melissa Faigeles: [mfaigeles@sagebrusheco.nv.gov](mailto:mfaigeles@sagebrusheco.nv.gov)  
Chris Katopothis: [ckatop@sagebrusheco.nv.gov](mailto:ckatop@sagebrusheco.nv.gov)  
Kelly McGowan: [kmcgowan@sagebrusheco.nv.gov](mailto:kmcgowan@sagebrusheco.nv.gov)  
Telephone: 775-684-8600

**SUBJECT:** Informational Update on Conservation Credit System State Solicitation Projects

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**SUMMARY**

The purpose of this item is to provide an overall update to the SEC on the status of the five State funded projects to enable credit generation through Conservation Credit System (CCS). In May, the SETT met with all the proponents at their respective project locations, with the exception of the Diamond Cattle Company which later had withdrawn from the program for this funding cycle. Funding agreements were developed for each of the proponents by the SETT. The agreements went through a rigorous process of review by the State Budget Office, Department of Conservation and Natural Resources (DCNR) Director's Office, and the Attorney General's (AG) Office. Reviewed agreements were signed by all participating parties and projects initiated. All project sites required full assessments through the use of the Habitat Quantification Tool (HQT) following the protocols within the User's Guide. Those full assessments are currently underway; with the Conservation Districts completing the assessments for Cottonwood and John's Ranch, Cardno, Inc. performing the assessment for Coleman Valley Ranch under the State contract, and Stantec, Inc. providing assessment services directly to the Tumbling JR Ranch project. Given the tight field season window, the SETT facilitated activities, such as conducting an additional field verification training in early June, to ensure the field work could be completed on schedule.

**ACCOMPLISHMENTS**

- 4 Project Proponent Agreements for Funding to Generate Sage-Grouse Habitat Credits fully signed and executed.
- Projects initiated in time for 2016 field season window April 15-June 30.
- State solicitation generated interest in 3 privately funded, SETT validated credits projects.

Detailed project information and lessons learned are provided in the following pages.

**PROJECTS APPROVED FOR STATE FUNDING**

The spreadsheet below outlines the five projects as approved by the SEC during their April 7, 2016 meeting and current funding status.

<b>Project</b>	<b>Proposed Action</b>	<b>County</b>	<b>Mgmt. Category</b>	<b>Total Project Acres</b>	<b>Total Estimated Sellable Credits</b>	<b>Funding</b>	<b>Estimated Base Cost Per Credit</b>
Coleman Valley Ranch	Juniper Treatment & Pile	Washoe	PHMA	1,055	540 <sup>1</sup> (502.6)	\$134,414	\$248.91
Cottonwood Ranch	Seeding, Preservation, & Stewardship	Elko	PHMA	1,100	807 <sup>1</sup> (726.5)	\$48,649 <sup>2</sup> (\$60,832)	\$60.28
<sup>3</sup> Diamond Cattle Company	Grazing Management, Forb, Meadow and Riparian Fencing & Sagebrush Seeding	Eureka	PHMA (70%) GHMA (30%)	0 <sup>3</sup> (1,607)	0 <sup>3</sup> (711.8)	\$0 <sup>3</sup> (\$377,500)	\$0 (\$530.35)
Johns Ranch	Stewardship, Seeding, & Grazing Management	Elko	PHMA	1,097	802.6	\$30,000 <sup>2</sup> (\$51,569)	\$37.38
Tumbling JR Ranch	Infrastructure & PJ removal, Seeding, grazing management	White Pine & Elko	PHMA & GHMA	12,414	12,743.90	\$518,068	\$40.65
<b>Totals as of 6/22/16</b>				<b>15,666</b>	<b>14,893.5</b>	<b>\$731,131</b>	

<sup>1</sup> Credit increase resulting from update HQT

<sup>2</sup> Project cost reduced as a result of assistance from Conservation District

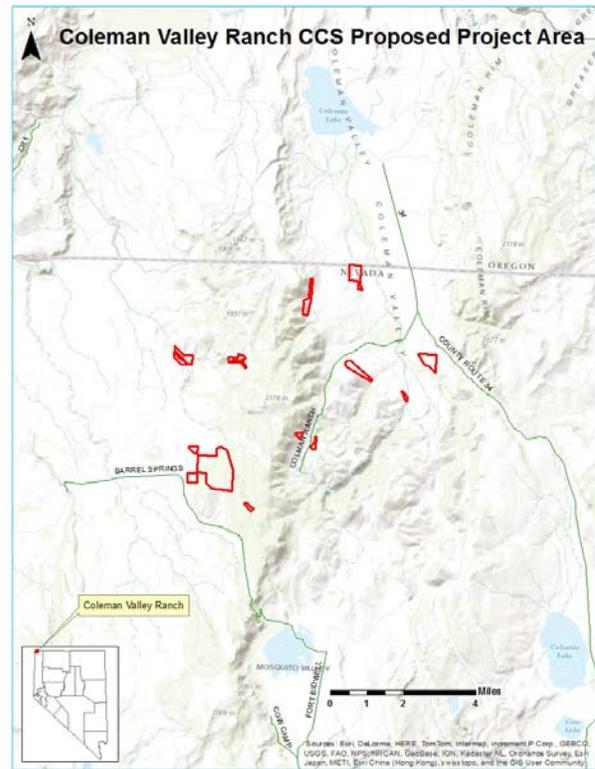
<sup>3</sup> Diamond Cattle Company withdraw application for 2016.

**COLEMAN VALLEY RANCH**

<b>County</b>	Washoe
<b>Acres</b>	1,055
<b>Potential Credits</b>	540
<b>Requested Funding</b>	\$134,414
<b>Management Categories</b>	PHMA
<b>Land Ownership</b>	Private
<b>Management Action Type</b>	Juniper Treatment & Pile
<b>WAFWA MZ, BSU &amp; PMU</b>	V; Northwest Great Basin; Washoe-Modoc

**Project Description**

Coleman Valley Ranch is a working cow/calf operation in Northern Washoe County. The ranch consists of twenty thousand acres of private land surrounded by BLM. Elevations range from 4700 to 7100 feet. Four year round streams are found on the property, including numerous springs and seeps. A substantial sage-grouse population can be found on the property and surrounding BLM lands, including several leks in the immediate area.



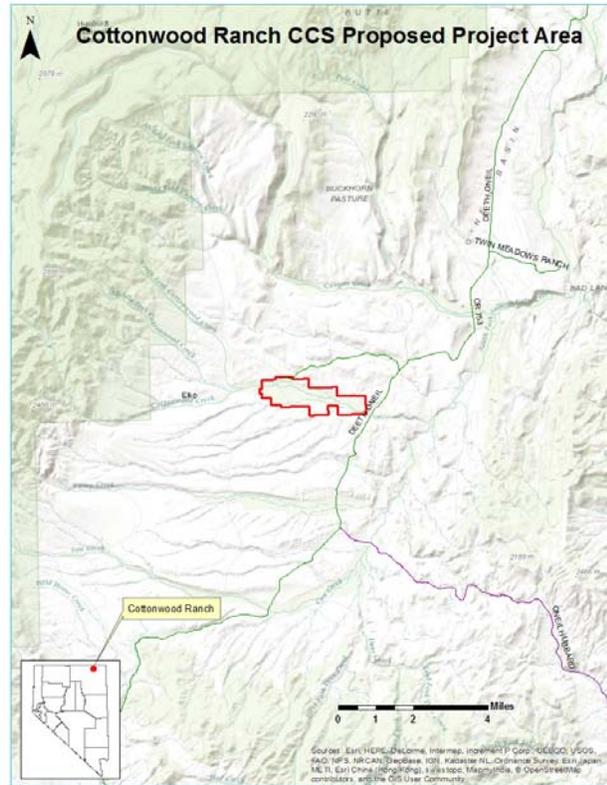
The proposed work under the Nevada CCS consists of removal of juniper trees on approximately 1,100 acres of private land. The juniper stands have encroached into sagebrush steppe country that is natural habitat for the greater sage-grouse. The junipers not only sterilize the sagebrush habitat, but provide perches for birds of prey, natural predators of the sage grouse. The majority of the proposed juniper removal sites are adjacent to prior juniper removal sites and contiguous to either permanently or seasonally wet meadows and/or water sources for wildlife.

**Project Update:**

Team members of the SETT and NDOW met with the project proponent on-site May 9, 2016 to finalize project objectives and ground truth the area. The SETT provided the proponent with the agreement to review. The proponent proposed changes to include allowing the proponent to price the credits. As the SETT was in the process of updating the agreements, the proponent recommended changes were reviewed and incorporated. Concurrently, the proponent was soliciting quotes from Verifiers. As the field season was in progress, the proponent had a difficult time receiving estimates. The proponent selected Cardno, Inc. who in turn requested to utilize their State contract. The SETT quickly turned around a work authorization to Cardno, Inc., and the project is proceeding.

**COTTONWOOD RANCH**

<b>County</b>	Elko
<b>Acres</b>	1100
<b>Potential Credits</b>	807
<b>Requested Funding</b>	\$48,649
<b>Management Categories</b>	PHMA (35%), GHMA (65%)
<b>Land Ownership</b>	Private
<b>Management Action Type</b>	Seeding, Meadow Enhancement, Preservation, Stewardship
<b>WAFWA MZ, BSU &amp; PMU</b>	MZ IV, O'Neil Basin, Martin



**Project Description**

The Cottonwood Ranch project proposes to protect areas of existing high-quality sage-grouse habitat, and to enhance targeted areas by seeding to increase forb and grass density and diversity in critical meadow late brood-rearing habitat. The total private property ranch acreage is 1,130. The project area encompasses approximately 1,000 acres, as the headquarters, a green strip fire break area, and a fenced riparian area will be excluded. The fenced riparian area is currently under contract with a USFWS Partners Program grant and its current enrollment into the CCS would not meet additionality policies. Once the contract expires (2020), the landowners may choose to enroll the riparian acreage in the CCS.

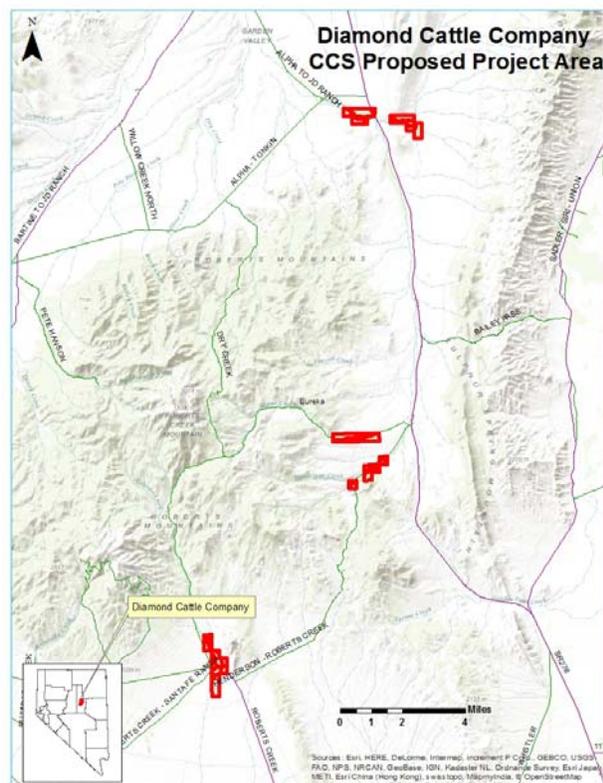
The northern side of Cottonwood Ranch is the more productive meadow area with strong diversity of forbs and grasses. The southern portion is less productive and will be the target area for reseeding efforts. The outskirts of meadow area are upland sagebrush habitat. Much of the sagebrush habitat is high-quality habitat, while some areas are still recovering from previous removal efforts. The Cottonwood Ranch project area is utilized for cattle grazing, for which a management plan is in place. There are no haying operations within the Cottonwood Ranch project area.

**Project Update**

- Requested funding amount adjusted down from \$60,832 to \$48,649. This is as a result of having the HQT work conducted by Conservation District Program staff.
- Funding agreement is signed by all parties and in place.
- HQT desktop analysis and field site data collection are currently underway.

**DIAMOND CATTLE COMPANY**

<b>County</b>	Eureka
<b>Acres</b>	1,607
<b>Potential Credits</b>	0
<b>Requested Funding</b>	\$0
<b>Management Categories</b>	PHMA (70%) GHMA (30%)
<b>Land Ownership</b>	Private
<b>Management Action Type</b>	Grazing Management, Forb & Sagebrush Seeding
<b>WAFWA MZ, BSU &amp; PMU</b>	III, Central Great Basin, Diamond/Three Bar



**Project Description**

The desired outcome of this project is to maintain the spring sources in the project area due to topography, provide sustainable range-land health, and improve the small meadows associated with these springs for sage-grouse and other wildlife benefits. This project will enhance the existing meadow condition and maintain sage-grouse brood habitat along with possible nesting habitat.

Potential management action types include:

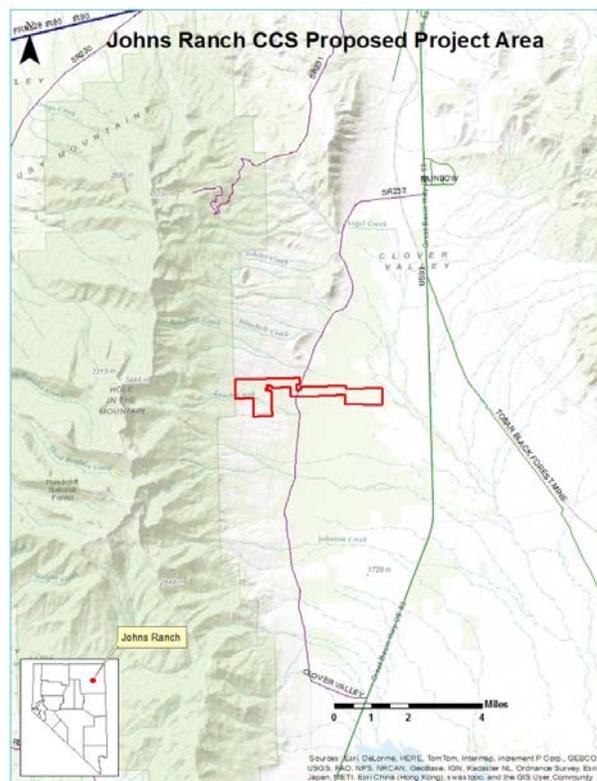
- Fencing off wet meadows, seeps, springs, and riparian areas on all private lands, this would include liberty fencing to protect against wild horse impacts which are an issue in this area
- Weed management
- Seeding, fence markers, grazing management, managing and enhancement of wet meadows, roller aeration in decadent sage brush areas, and installation of piezometers near wet meadows

**Project Update**

Shortly after approval of funding for this project, the landowner decided to discontinue their working relationship with K-COE on the development of this project, although the landowner was still interested in pursuing this project as a credit site. SETT had several discussions with the landowner and his advisor on natural resources to try to set up an on-site tour. The landowner also owns farmland in CA and was in the middle of a cherry harvest and dealing with weather issues. After the proponent had further discussion with family members (also co-owners), they decided to withdraw their application. There were complications that existed with their existing leases and current contracts that they have on the property. They remain interested in producing credits, but need more time to develop the scope of their conservation practices, potential sites for inclusion, and long term management objectives.

## JOHNS RANCH

<b>County</b>	Elko
<b>Acres</b>	1,097
<b>Potential Credits</b>	802.6
<b>Requested Funding</b>	\$30,000
<b>Management Categories</b>	PHMA
<b>Land Ownership</b>	Private
<b>Management Action Type</b>	Stewardship, Seeding, & Grazing Management
<b>WAFWA MZ, BSU &amp; PMU</b>	III; Ruby; Ruby Valley
<b>Partners</b>	CD Program, NDF, & NDOW



### Project Description

Johns Ranch is proposing to implement a number of enhancement and restoration efforts over roughly 640 acres. The landowner, along with technical assistance from the Elko Conservation Team lead by the DCNR Conservation Specialist, NDF Resource Management Officer, and NDOW Habitat Biologist are planning work collaboratively with the landowner to develop the Management Plan with all the applicable land management practices.

Specific proposed improvements include:

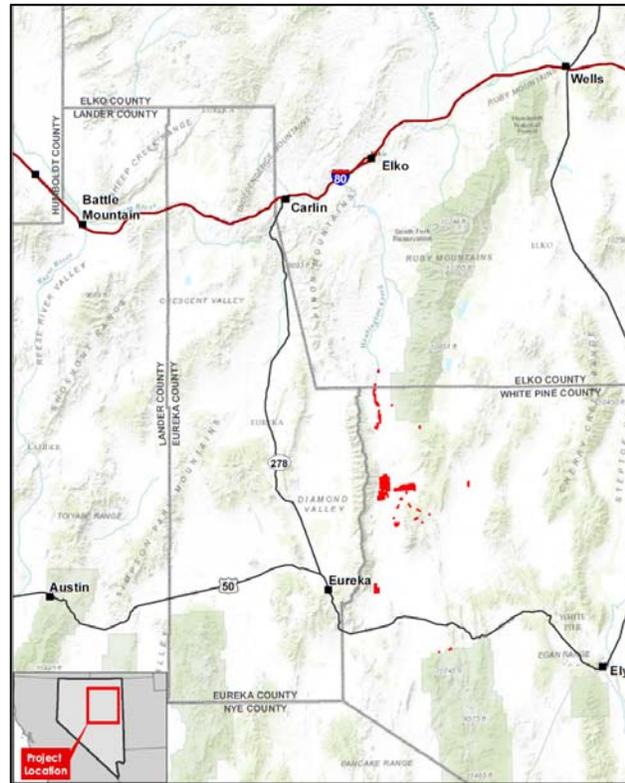
- *Pasture Seeding* – the goal is to increase and diversify beneficial forbs in a valley on the property named Clover Valley because of the abundance of native clovers, but other forbs such as Sainfoin and vetches would add diversity to the pastures and attract different insects important for brood survival.
- *Rangeland seeding* – Are intending to return a portion of the project area just west of a lek to the original loamy slope 12-16 pz where Idaho fescue, Bluebunch wheatgrass, Arrowleaf Balsamroot, and Mountain Big Sagebrush comprise 50% of the vegetative composition.
- *Electric Fence* – With the above treatments and management actions they will be developing a prescribed grazing plan as to give these investments the best chance of being successful. Plus over the overall management plan will have prescribed grazing as the preferred method to maintain various ecological seral stages, building a mosaic of different age classes and of different plant compositions within the range site description and state and transition models.

### Project Update

- Requested funding amount adjusted down from \$51,569 to \$30,000 as a result of having the HQT work conducted by Conservation District Program staff.
- This project is the first site to have the field work completed. Some of the points were in very wet areas due to the unusually wet spring and will be resampled in July to ensure accuracy of data collection

### TUMBLING JR RANCH/KG MINING

<b>County</b>	White Pine & Elko
<b>Acres</b>	12,414
<b>Potential Credits</b>	12,743
<b>Requested Funding</b>	\$518,068.00
<b>Management Categories</b>	PHMA, GHMA
<b>Land Ownership</b>	Private
<b>Management Action Type</b>	Infrastructure & PJ removal, Seeding, grazing mngmt.
<b>WAFWA MZ, BSU &amp; PMU</b>	WAFWA MZ III; BSU's (Central Great Basin, Ruby, & Butte/Buck/White Pine); PMU's (Diamond, Butte/Buck/White Pine, Ruby Valley, & South Fork)



### Project Description

The full-proposal was submitted on behalf of KG Mining by Stantec Consulting Services, for the JR Tumbling Ranch. Tumbling JR parcels were categorized into five geographic areas for ease of reference which include the following:

- *Huntington Valley and Overland Pass* - The focus in this area is to preserve existing sage-grouse value on all parcels and implement enhancements through the seeding of herbaceous vegetation on some areas. Additionally, in areas of tree encroachment, enhancement and restoration is planned post-treatment.
- *Long Valley* - These parcels encompass approximately 160 acres and occur in the far eastern portion of the project area. This area is planned for preservation and enhancement. Enhancements will consist of pipe-rail fence around the spring and the northern portion of the meadow, removing the mobile home and other trailer, removing wooden fence posts if non-functional, and seeding herbaceous vegetation to increase brood-rearing value.
- *North Newark Valley and Buck Mountain* – This is the largest area with all parcels being entered as preservation parcels. Additionally, areas that can benefit from pinon and juniper treatments will be enhanced or restored based on the condition of the site. The desired outcome for these parcels is to preserve and enhance large tracts of winter and brood-rearing habitat in close proximity to active leks.
- *South Newark Valley* – Consists of two parcels which include mostly irrigated agriculture which will be preserved.
- *Mount Hamilton* – Consists of three small parcels on the very southern end of the project area, where restoration activities will be implemented to reduce the encroachment of pinon and juniper.

### **Project Update**

Shortly after the verifier training, KG Mining enlisted certified verifiers from Stantec to conduct a full assessment of the project area. On Thursday, May 6, staff met with the verifiers and KG mining representative Beth Ericksen to tour the project area and ask them questions and to answer any questions they had about the process of running the HQT and doing the assessment. Soon thereafter, Stantec began the field data collection for the assessment. SETT staff continued to assist the verifiers in reviewing the map units and transect locations as well as answer any other questions that arose during the process.

SETT staff worked diligently with KG Mining on finalizing the funding agreements, as this agreement needed to be worded a little differently than the other agreements given the nature of the transaction potentially being both a transfer of credits to themselves and the possibility of the sale of some credits. Eventually the wording of all the documents was noted to indicate credits transfer instead of sale reasoning that a sale is a transfer for a monetary value. KG mining signed the agreement on Thursday, June 16.

Field data collection is still being conducted. As with several of these projects, an extension of time to collect field data beyond the suggested date of June 30 may be necessary. They have been advised to collect field data at the lower elevation or drier sites first and to collect meadow and upland sites later. If an extension of time is necessary, they will submit photo and written documentation to justify the extension. Actual credit generation amounts at the KG mining sites should be available at the next SEC meeting.

Note: Some of the questions that arose and discussed may need to be reviewed by a science group or other technical advisory group for future inclusion into the CCS documents.

## **LESSONS LEARNED:**

**Projects:** As the CCS is a groundbreaking and innovative system with no model to pattern the timing, the schedule of processes was justifiably nonexistent. The process started with seeking out Letters of Interest (LOI) from proponents, due in early February. The SETT reviewed the LOI, and after significant consideration, selected seven to develop full proposals for in March. The full proposals were completed and approved by the SEC in April. Meanwhile, the SETT developed training materials for Verifiers and agencies, initiated privately funded credit projects, and assisted with debit projects.

*Lesson learned: Initiate the solicitation process earlier (possibly December) awarding projects no later than March to allow State time to set up agreements, and proponents and/or State time to plan and schedule Verifiers prior to field season.*

*Lesson learned: Consider removing Letter of Interest step and initiate interested proponent site visit step to ground truth project potential that can occur any time of year.*

**Verification:** The SETT conducted Verification training on March 29-31. The training was well attended and certified 43 GIS Desktop Analysis Verifiers and 49 Field Data Collection Verifiers. Those verifiers working on projects quickly brought new ideas and comments to the table. Some comments centered on utilizing methodology with increased accuracy while others requested clarification in definitions such as meadows. Additionally, stakeholders and agency partners inquired about the potential of conflicts of interest, data integrity, and time restrictions. Foreseeing the need to ensure the data was collected utilizing the parameters set forth; the SETT provided Verifiers with customized assistance and in one instance, provided an additional training to allow 7 more Field Data Collection Verifiers to be certified.

*Lesson learned: Continue to allow the SETT the flexibility to monitor and manage projects to allow for the unique situations that may arise given the diversity of the Nevada landscape.*

*Lesson learned: Develop external documentation for verifiers to provide guidance on conflicts of interest and data integrity.*

**Agreements:** The SETT had worked with Environmental Incentives to develop the agreements with the project proponents. The AG reviewed the agreements but recommended they go before the Board of Examiners for review. This initiated internal discussion whether the agreements were contracts or grants as contracts would have to go before the BOE and grants would not. After much deliberation by the Budget Office, it was decided the agreements behaved like grants, as such the Budget office requested a section be added regarding fiscal responsibilities, further project details, and language clarity. As time was of the essence, avoiding BOE review for agreements was a massive victory in project implementation occurring this season.

*Lesson learned: Use state developed forms where possible and seek counsel of contracting manager and Budget Office in development of new forms and processes.*