

Attachment I – Riparian Habitat Enhancement Fund

Background. The Riparian Habitat Enhancement Fund addresses any unavoidable ongoing and cumulative impacts of the operation of the DPNA Hydro Projects on riparian habitats. The fund provides for conservation activities to offset any hydro project-related impacts to land and water resources in the Hiwassee, Nantahala, Oconaluftee, Tuckasegee, and Little Tennessee River valleys on lands in the vicinity of the DPNA Hydro Projects. A variety of conservation interests were identified during discussions with the Nantahala Cooperative Stakeholder Team (NCST) and the Tuckasegee Cooperative Stakeholder Team (TCST); many of which related to riparian habitat protection and restoration. The NCST and TCST settlement agreements both include a Paragraph 6.8 that establishes the following specific requirements relative to this Riparian Habitat Enhancement Fund:

“6.8 DPNA agrees that within 1 to 15 years following its acceptance of the new licenses for the DPNA Hydro Projects, DPNA will provide a total of \$200,000 for the purpose of supporting DPNA-selected riparian habitat enhancement projects on lands that drain to any of the DPNA Hydro Projects or the river sections between the DPNA Hydro Projects and reservoirs belonging to the Tennessee Valley Authority (TVA) where such projects (1) protect or enhance fish or wildlife habitat directly or (2) educate landowners or school children about the importance of healthy riparian areas for fish and wildlife habitat. DPNA will utilize the process outlined in Attachment I (i.e. this process document) in selecting the projects to be funded.”

Other parts of the settlement agreements may also address project-related impacts for the DPNA Hydro Projects through similar actions in the riparian areas.

Agency and Organization Goals. The specific goals of natural resource agencies and organizations for this area include:

- Restore and protect riparian areas, aquatic habitats, and improve water quality
- Recover imperiled species
- Restore extirpated plant and animal populations
- Restore and protect riparian corridors and habitats
- Provide outdoor recreational opportunities
- Control invasive exotic species
- Educate decision makers and citizens about the importance of the unique river resources.

Conservation Activities. Ongoing land and water management activities in the DPNA service territory over the last 10 years provide an indication of continuing conservation needs. These activities, some of which may be related to any ongoing impacts of the DPNA Hydro Projects, include:

- Riparian habitat restoration
- Floodplain protection
- Environmental education
- Exotic species control (e.g., terrestrial and aquatic plants)
- Restoration effectiveness monitoring
- Land/forest management

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- Land protection/conservation
- Wildlife habitat enhancement

Amount of the Fund. The amount of the fund will be equivalent to \$40,000 for each of the five counties (Cherokee, Clay, Jackson, Macon and Swain) (i.e. \$200,000 total). Funding will be provided by DPNA within the first 15 years of the new licenses issued by the FERC for the DPNA Hydro Projects, and may be provided in multi-year increments or under a variable but pre-agreed upon disbursement regime. (Note: The dollar amounts expressed herein are in 2004 dollars and are subject to the monetary adjustment method as noted in the TCST or NCST Settlement Agreement). Once the \$200,000 of DPNA funding has been awarded, the fund and the Advisory Board identified in this document will be dissolved.

Geographic Scope. The geographic scope of this proposal includes the Hiwassee, Nantahala, Oconaluftee, Tuckasegee, and Little Tennessee River valleys on lands that drain to any of the DPNA Hydro Projects or the river sections between the DPNA Hydro Projects and reservoirs belonging to the Tennessee Valley Authority (TVA). The fund will emphasize activities that address any project-related impacts, but recognize the potential benefits of protection and restoration of riparian areas that may be impaired by other sources (e.g., invasive exotic species).

Administrative Structure. It is proposed that the fund be locally administered by an Advisory Board composed of persons most familiar with conservation priorities of the area. Once an Advisory Board is established, it will meet to develop a brief operating agreement to address at least the following:

- Membership
- Decision-making
- Reporting
- Solicitation of proposals
- Procedures for prioritizing grant requests, including application rating systems
- Method and schedule for presenting its prioritized funding requests to DPNA.

The signatory Parties to the TCST and NCST settlement agreements will be given the opportunity to comment on the Advisory Board's proposed draft operating agreement and the Advisory Board will endeavor in good faith to accommodate any suggested changes before finalizing the operating agreement.

Advisory Board Members. The following agencies and organizations will provide one representative each to the Advisory Board. Each representative should be very familiar with riparian ecology in the geographic area.

- North Carolina Wildlife Resources Commission
- North Carolina Division of Water Resources
- United States Fish & Wildlife Service
- United States Forest Service
- Land Trust for the Little Tennessee
- Little Tennessee Nonpoint Source Team (see basin plan)

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- Natural Resource Conservation Service
- Each County’s Soil and Water Conservation District
- Trout Unlimited

Schedule for Establishing the Administrative Structure. The representative from the United States Fish & Wildlife Service will organize and hold the initial Advisory Board meeting within four months following DPNA’s acceptance of the new licenses for the DPNA Hydro Projects. Within one year following DPNA’s acceptance of the new licenses for the DPNA Hydro Projects, the Advisory Board will complete all of the following:

- Draft its proposed operating agreement.
- Solicit and incorporate comments on the draft operating agreement from all the Parties to the NCST and TCST settlement agreements.
- Finalize its operating agreement and send copies of it to all the Parties to the NCST and TCST settlement agreements.
- Develop a simple application for grant funding requests.
- Begin soliciting for grant funding proposals.

Process for Review of Proposals

A key feature of the fund is that it is established to address the unforeseen or changing needs and priorities related to riparian habitat protection and restoration needs in the project area. The fund supports activities that:

- (1) Protect or enhance fish or wildlife habitat directly, or
- (2) Educate landowners or school children about the importance of healthy riparian areas for fish and wildlife habitat.

Grant requests should address the focus areas listed above. Additional consideration will be given to grant requests that:

- Have a long-term impact
- Provide direct benefits to riparian resources
- Show measurable results
- Demonstrate co-funding (leveraging) from other funds, volunteer, or in-kind resources, thus indicating broad support for the proposed project
- Implement creative approaches
- Have a demonstration element or adapt proven models
- Coordinate and cooperate with existing efforts (i.e. are part of a larger scheme of riparian protection and restoration, or connect existing protected riparian habitat)
- Increase awareness of how varied activities affect the overall river basin

The Advisory Board will determine specific weighting of these criteria. Further, the Advisory Board may determine additional factors and/or weightings on a geographic basis.

The Advisory Board will coordinate with DPNA staff to ensure that:

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- The Advisory Board's prioritized list of projects is clearly communicated to DPNA staff at some mutually agreed-upon interval.
- That each calendar year, funding expectations for the next calendar year are mutually agreed-upon and are coordinated with DPNA's budget planning cycle.

The Advisory Board recognizes that DPNA staff will make the final selections of initiatives that DPNA will fund from the Advisory Board's prioritized list. DPNA staff will however place a high value on the Advisory Board's prioritization process and will normally distribute funds in accordance with the Advisory Board's prioritized list. If DPNA must deviate from the Advisory Board's prioritized list, then DPNA will explain any reasons for such deviations. All funding distributions will be directly from DPNA to the entity that is implementing the riparian habitat enhancement project.

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