

Draft Memorandum

To: Molycorp Trustee Group
From: Diana Lane, Hillary Browning, and David J. Chapman, Stratus Consulting Inc.
Date: 1/24/2005
Subject: Proposed project selection criteria (draft)

1. Background

This memorandum proposes criteria to be used by the Molycorp Trustee Group (Trustees) to evaluate and prioritize restoration projects to compensate for natural resource injuries that may have resulted from releases from the Molycorp site in Questa, New Mexico. This version is a draft for Trustee comment. After incorporation of comments and consensus by the Trustees, this document will serve as a guide for evaluating and selecting projects. The criteria chosen here also will be described in an eventual restoration plan and National Environmental Policy Act (NEPA) document.

2. Statement of Goals

The Trustees intend to restore, rehabilitate, replace, enhance, or acquire the equivalent of the natural resources and natural resource services that may have been injured as a result of hazardous substance releases from the Molycorp site.

3. Screening Criteria

Screening criteria are used as the first step in project evaluation. Projects must pass screening criteria before they can be considered further in the evaluation process. The following screening criteria will be used by the Trustees to determine whether a proposed project meets minimum standards of acceptability. To be acceptable, a project must:

- ▶ address the type of resources potentially injured by releases from the Molycorp facility, or the services lost as a result of injuries
- ▶ comply with applicable and relevant federal, state, and local, laws and regulations
- ▶ not detrimentally affect public health and safety

- ▶ be technically and administratively feasible
- ▶ not conflict with any ongoing or planned response or remediation work
- ▶ provide a net environmental benefit.

4. Evaluation Criteria

Following the project screening process, the Trustees will apply evaluation criteria to evaluate and rank potential restoration projects. These criteria reflect the Trustees' priorities for restoration. The Trustees have divided criteria into three categories: relevance to the NRDA; degree of benefit; and feasibility and cost criteria. The following section describes the criteria within each category.

Relevance to the NRDA

The Trustees prefer projects that are highly relevant to the natural resource injuries and service losses that are the focus of this NRDA. Projects will be evaluated based on their:

- ▶ location in or nearby the Red River watershed
- ▶ strong nexus to injured resources or lost services
- ▶ provision of benefits to multiple natural resource categories, or to multiple resources within a category
- ▶ fit within a comprehensive project "suite" that addresses all of the natural resource injuries and service losses.

Degree of benefit

The Trustees prefer projects that provide significant, long-term, quantifiable, and desirable benefits. Projects will be evaluated based on their:

- ▶ acceptability to the public
- ▶ consistency with existing consensus-based regional and watershed planning efforts
- ▶ scalability: the project must have quantifiable benefits so that it can be "scaled" to offset a certain amount of resource injury or service loss

- ▶ provision of benefits rapidly after project implementation
- ▶ maintenance of long-term project benefits
- ▶ restoration of ecosystem processes or enhances watershed function.

Feasibility and cost criteria

The Trustees prefer projects that use NRDA funding wisely. Projects will be evaluated based on their:

- ▶ cost effectiveness compared to similar project benefits
- ▶ costs for operation, maintenance, and monitoring
- ▶ need for NRDA funding for success of the project.

The Trustees prefer projects with high likelihood of success. Projects will be evaluated based on:

- ▶ the potential for success, from engineering and/or biological points of view, based on past results from similar projects
- ▶ the ability to be monitored and measured for success evaluation
- ▶ whether adaptive management can be used to address and remedy any problems

Administrative process (completion of appropriate state and federal permits, NEPA documents, and endangered species act consultations) is expected to be straightforward and without a high level of cost, complexity, or uncertainty.

5. Application of Criteria

The Trustees intend to apply the evaluation criteria to proposed projects in a fair, unbiased, and impartial manner. Projects will first be evaluated against the screening criteria for minimum acceptability. Projects will be evaluated using the remaining criteria by assigning "low, medium, high" for each criteria. Low will be assigned a value of 0, medium will be assigned a value of 5, and high will be assigned a value of 10. Total project scores will be summed to give an overall numerical score. For the criteria involving cost (benefit/cost ratio and cost-effectiveness), projects will be compared using estimated values for benefits and costs.

