

## **1.0 Purpose and Need**

Virginia regulations allow point source dischargers located within the same river basin to purchase or sell (trade) nutrient credits to facilitate compliance with annual wasteload allocations (WLAs). HRSD, as a member of the Virginia Nutrient Credit Exchange Association (“Exchange”), participates in a market-based trading program to help achieve nutrient reduction goals for the Chesapeake Bay.

Trades can be in the form of annual, term or perpetual transfers. A permanent transfer of credits can be achieved through the transfer of allocation. Similarly, nutrient offset requirements can be accommodated through the transfer or acquisition of necessary allocation. All allocation transfers are contingent upon approval of the Virginia Department of Environmental Quality (DEQ) in accordance with the “General Permit for Total Nitrogen and Total Phosphorus Discharges and Nutrient Trading in the Chesapeake Watershed in Virginia” (“General Permit”).

This policy provides guidelines for HRSD's engagement in trading agreements that occur outside of the Exchange and in accordance with the rules and regulations that govern nutrient and sediment credit trading and offsets.

This policy combines and replaces two existing policies: HRSD’s Nutrient Credit Offset Policy and HRSD Nutrient Credit Trading Policy.

## **2.0 Definitions**

*“Agreement”* means a private transaction for the trade of nutrient and sediment credits occurring outside of the Exchange. Agreements can provide for annual, term or perpetual credit trades or offset allocations.

*“Credit”* means the difference between (i) the wasteload allocation for a permitted facility specified as an annual mass load of the pollutant (total nitrogen (TN), total phosphorus (TP) or total suspended sediment (TSS)) and (ii) the monitored annual mass load of the pollutant (TN, TP or TSS) discharged from that facility, where clause (ii) is less than clause (i), and where the difference is adjusted by the applicable delivery factor and expressed as pounds per year of delivered total nitrogen load.

*“Offset”* means the voluntary transfer of a discharger’s waste load allocation or a portion of the allocation to a new or expanding facility located in the same Chesapeake Bay tributary.

*“Trading”* means the voluntary exchange of credits on an annual, term or perpetual basis between existing dischargers located in the same Chesapeake Bay tributary. Perpetual trades may be made permanent through the transfer of wasteload allocation or a portion of allocation.

*“Virginia Nutrient Credit Exchange Association, Inc. (Exchange)”* means the organization authorized by the Virginia General Assembly to manage a nutrient trading program.

*“Wasteload allocation (WLA)”* means a limit or cap on the amount of nitrogen and phosphorus that public and private point sources such as wastewater facilities may discharge into the Chesapeake Bay watershed.

### **3.0 Guiding Principles**

HRSD, because it is a member of the Exchange and has accepted Water Quality Improvement Fund grants, is obligated to provide its excess credits to the Exchange. While it has no obligation to do so, HRSD will consider entering into private trading or offset agreements if providing the allocation will not jeopardize HRSD’s WLA compliance. The following factors will be considered when evaluating trading and offset requests.

A. *Protection of HRSD 's interests and preservation of its ability to meet future needs*

HRSD's WLAs must remain sufficient to satisfy the projected growth. Any WLA reduction resulting from providing credits or an offset shall not create an unacceptably greater risk of non-compliance for HRSD.

B. *Regional benefits*

Trading and offset agreements should offer regional benefits (an impact across multiple jurisdictions) and/or support regional initiatives when possible.

C. *Environmental stewardship*

The trading partner must have a strong record of environmental protection and compliance with all relevant regulations.

D. *Cost to HRSD ratepayers*

Trades and offsets should provide the region with maximum environmental benefit at the lowest net cost to our ratepayers.

E. *Location*

Jurisdictions within HRSD's service area will have priority when multiple trading/offset requests are received.

F. *Magnitude*

The number of credits or allocation provided will be the minimum necessary to meet regulatory requirements.

G. *Limitations on Use*

The credits and/or offset allocations are only available to the party designated in the Agreement. Credits or allocations are not transferrable to any other person or entity.

H. *Cost Reimbursement*

Agreements will include a requirement for reimbursement for legal and administrative costs incurred by HRSD in developing these agreements. On a case-by-case basis, HRSD may additionally require reimbursement for costs associated with the generation of credits or offsets.

**COMMISSION ADOPTED POLICY**  
***Nutrient Credit Management***



Adopted: October 27, 2020

Revised:

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**4.0 Procedures**

Point source dischargers seeking to enter into a trading or offset Agreement with HRSD must make a request in writing to the Chief of Technical Services.

Based on the merits of the request, HRSD staff will make a recommendation to the HRSD Commission.

The request for an annual extension of an Agreement also must be made in writing at least 90 days prior to expiration of the Agreement, evaluated by HRSD staff and approved by the HRSD Commission.

**5.0 Responsibility and Authority**

The HRSD Director of Water Quality or his/her designee shall prepare a written evaluation of each trading request.

The HRSD General Manager will review the evaluation and present a recommendation to the HRSD Commission.

All regulations promulgated by the Virginia Department of Environmental Quality and procedures established by the Exchange shall be followed by HRSD in the implementation of this policy.

Approved:

A handwritten signature in black ink, appearing to read "Frederick N. Eloffson", written over a horizontal line.

Frederick N. Eloffson, CPA  
Commission Chair

10/27/2020

Date

Attest:

A handwritten signature in blue ink, appearing to read "Jennifer L. Cascio", written over a horizontal line.

Jennifer L. Cascio  
Commission Secretary

10/27/2020

Date