

COMMISSION ADOPTED POLICY



Title: Nutrient Credit Trading

Date of Adoption: August 26, 2008

Date of Revision:

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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 waste load allocations. HRSD, as a member of the Virginia Nutrient Credit Exchange Association, will participate in a market-based trading program to help achieve nutrient reduction goals for the Chesapeake Bay. This policy provides guidelines for HRSD's participation within the rules and regulations that govern nutrient credit trading.

2.0 Definitions

"Class A Trades" means the purchase/sale of nutrient credits for a five-year period that may be extended annually. The seller of these rolling five-year credits is legally obligated to provide the allocation regardless of its compliance status. This type of trade is useful when a facility must maintain compliance while planning and constructing upgrades.

"Class B Trades" means the annual allocation of a point source discharger's unneeded credits to facilities that did not meet their waste load allocations so compliance can be achieved.

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

"Waste load 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 for the annual Class B trades. While it has no obligation to do so, HRSD will consider entering into Class A trading agreements if providing the allocation will not jeopardize its WLA compliance. The following factors will be considered when evaluating Class A trading requests.

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- a. *Protection of HRSD's interests and preservation of its ability to meet future needs*
HRSD's WLAs must remain sufficient to satisfy the growth projected in its Development Plan. Any WLA reduction resulting from providing credits shall not create an unacceptably greater risk of non-compliance for HRSD.
- b. *Regional benefits*
Trading 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 shall provide the region with maximum environmental benefit at the lowest net cost to our ratepayers.
- e. *Location*
Jurisdictions within HRSD's service area shall have priority when multiple trading requests are received.
- f. *Magnitude*
The number of credits provided shall be the minimum necessary to meet regulatory requirements.

4.0 Procedures

- a. Point source dischargers that wish to establish a Class A trading agreement with HRSD must make a request in writing to the General Manager.
- b. The request shall document the steps taken to obtain credits from other sources.
- c. HRSD staff will evaluate the merits of the request and make a recommendation to the HRSD Commission, which must approve all Class A trades.
- d. The request for an annual extension of a Class A trade also must be made in writing, evaluated by HRSD staff and approved by the HRSD Commission.

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- e. Class B trading requests will be handled by the Exchange in accordance with their established procedures.

5.0 Responsibility and Authority

- a. The HRSD Director of Water Quality shall be responsible for preparing a written evaluation of each trading request.
- b. The HRSD General Manager will review the evaluation and present a recommendation to the HRSD Commission.
- c. All nutrient trading 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:



R. Tyler Bland, III
Commission Chairman



Date

Attest:



Jennifer L. Heilman
Commission Secretary



Date