

Jordan Lake Targeted Watershed Study
Meeting Summary
Meeting #6
February 28, 2007

Attendees: Sydney Miller, Kathryn Benson, Becky Weig, Paula Sloneker, Lauren Elmore, Andy McDaniel, Ed Holland, Lucas Sharkey, Bob Dodson, Shari Bryant, Terry Hackett, Rich Gannon, Trish D'Arconte, Jason Robinson, Mike Templeton, Trish McGuire, Will Autry, Frank Thomas, Sharon Myers, Roger Sheats

Meeting Introduction **Sydney Miller, TJCOG**

The meeting was opened by Sydney Miller of Triangle J Council of Governments. Syd provided an overview of the agenda, discussed meeting objectives, and facilitated the introduction of attendees.

Syd introduced Becky Weig, CH2M Hill, who has worked with trading projects across the country. She participated in this meeting to answer questions and present examples of working trading projects active in the US.

Pilot Project Objectives **Lauren Elmore, CH2M Hill**

Lauren Elmore gave a brief presentation on the project background, reviewed the project charter goals and reviewed points from prior meetings. Lauren gave examples of credits that could be generated for new development, such as NCDOT to EEP trading and stormwater purchasing credits from agriculture.

Attendees stressed the importance of developing or identifying strong tools to track trading. One suggestion for covering the expense of tracking was to include administrative fees into trading fees.

Break Out Sessions

Sessions were divided into Point Source and Non-Point Source (stormwater and agriculture) groups to identify specific examples of possible trading scenarios.

Non-Point Source Session (Stormwater and Agriculture)

Scenario discussion:

Two scenarios were discussed at length:

1. Developers trading between one site and another site. For instance, trade nutrients between a site where more nutrient reductions are possible and another site with great location, close to schools, but with bad topography. Local ordinances cannot be violated.

2. Developer chooses to install additional BMPs and could sell credits to the city or other entity, including offset for existing development.

- Local government requirements are equivalent to state requirements. Developer can voluntarily exceed the standard to generate credits.
- Local government may require more stringent requirements for new development in order to generate credits.

Trading Market: Attendees discussed trading market scenarios with no resolution as to whether it will be a free market for trading credits or a market where rules dictate price and available options for use of the credits. State market? Free market? Local government market?

Example: State of Connecticut sets the price for all trading.

Spatial context for trading:

- EEP's mission is to provide mitigation close to the area of impact, but they have some flexibility in determining where BMPs are placed.
- Proposed Jordan Lake rules say trading may occur within the same Jordan Lake sub-watershed (Upper New Hope Arm, Lower New Hope Arm, or Haw River Arm). Trading is not limited to the area within a local government's jurisdiction.
- Discussed trading between a city and a county.
- A city alone will not likely be able to show a baseline reduction of 35% in one year. Group wondered how trading will help jurisdictions meet reduction requirements.
- One trading example discussed was generation of credit for a municipality due to a reduction outside the city limits – credits may be reported based on their jurisdiction but can be traded within the sub watersheds.

Discussion followed concerning load reductions addressed spatially in watershed. Those entities at the top of the watershed might not be required to achieve as high of a reduction in pollutant loads as those nearer to the lake. Additionally, the amount of additional credit earned at the top of a lake is worth less to those lower in the watershed. All credits generated will be converted to credits at the lake based on the hydrologic unit code where the BMP is located, the type of BMP, and a transport factor.

Final list of possible trading scenarios: CH2M HILL requested information as to current development occurring in pilot communities.

1. Developer, project to project
2. City to point source
3. City to county
4. City to agriculture
5. Urban to suburban in same jurisdiction.
6. DOT to EEP for new development
7. DOT to EEP for existing development
8. Urban to existing development (residential) retrofit. Upgrade existing development.
9. UNC to UNC

General Questions or Concerns raised during discussion:

- *Question: New development versus existing development - In the new rules there is an option for paying EEP in the new development rule, but not in the existing development rules. Does local government have the EEP offset option?*
Answer: To date, EEP has not been an option.
- *Question: Who is responsible for nonpoint source pollution coming off the roads? Is DOT responsible or is the town? What happens when roads and municipal storm systems meet? With existing BMPs, what entity has rights to use them as credit or trading credit? NCDOT or City?*
- *Questions were raised regarding possible parties responsible for tracking. Does local government want control over tracking? Does DWQ do it?*
- *Concern was voiced about BMP installation and maintenance. What is the impact on trading if BMPs are not maintained? What accountability exists for maintenance?*
- *Question: If the new development generates credits, who does it belong to? Is there any incentive for a developer to exceed the load limits?*
- *Comment: Developers/new development will not be willing to bear the cost of generating credits to meeting existing development requirements.*
- *Comment: Net result of additional requirements to offset existing development means increases in costs to developers, more expensive housing, and less affordable housing options.*
- *Question: What is to prevent someone from putting in a wet detention pond, claiming 35%, then putting a wetland downstream and claiming 40% and claiming all those reductions when in reality they are not accurate reductions?*
- *Comment: Trade tracking will occur along a network and is not as simple as trading credits in sub watersheds. (why not?) Spatial tracking is a significant problem. Consideration has to be given to the various spatial relationships between BMPs.*
- *May be some benefit in a city creating a trading system within the system.*

Point Source Session

(This summary includes a meeting held separately with Burlington Area pilot participants on March 9, 2007.)

Trading Scenarios to be investigated:

1. Point source to point source trading as a group compliance association for the Upper New Hope Arm and the Burlington Area
2. Point source to point source trading within a “bubble” or “watershed” permit – For example: Investigate if Burlington South could sell credits to the Burlington Eastside facility
3. Point source provides credits to municipal or county stormwater program
4. Consider “watershed” permit that combines multiple NPDES permits and possibly MS4 permits into a single permit.
5. Consider individual point source to point source trades.
6. Consider point source (WWTP) purchasing credits from agriculture. Investigate if this will be cost effective.

Discussions:

- *Representatives from point sources in the Upper New Hope Arm of Jordan Lake expressed interest in investigating the possibility of creating a group point source compliance association.*
- *Representatives from point sources in the Burlington Pilot area are also interested in investigating the creation of a group compliance association that could possibly be expanded to include the entire Haw River Arm of Jordan Lake.*
- *Smaller scale point source to point source trading will be investigated in the Burlington Pilot area.*
- *There is also interest in investigating whether a trading framework can be established where point sources provide nutrient credits for municipal or county stormwater programs.*
- *If a point source compliance association is established will there be sufficient credits “left over” for trading with municipal stormwater programs?*
- *Individual trading partners can specify the percentage of total available credits that they will make available for trading.*
- *Individual point sources will need to determine how much credit they may want to provide to city, county, or neighboring municipal stormwater programs.*
- *Annual or multiple-year compliance plans can be developed.*
- *Will propose different levels of trading program structure, from very basic internet-based trades to more actively managed trading programs coordinated by a specific organization.*

Meeting Conclusion

Syd Miller (TJCOG)

Each breakout group briefed the larger group on their discussions and conclusions.

Additional comments:

Comment: Administrative costs will be unavoidable unless DWQ manages the trading program, although any trading program will have transaction costs.

Comment: EEP is in the position to be a market driver. Everyone would have to beat EEP in price, which would be difficult.

Comment: EEP implements projects as dictated by DOT construction, not where nutrient management is most needed so the set price may not correspond to project implementation.

Next Steps

Syd Miller (TJCOG)

Additional Items - Roger Sheats (Cape Fear River Assembly)

Roger encouraged people to attend the 34th Cape Fear River Assembly Annual Meeting in Fayetteville on April 26-27, 2007.

Meeting Adjourned