



Summary of the  
2<sup>nd</sup> Water Quality Pollutant Trading  
Advisory Committee Meeting  
Lebanon Hills Regional Park, Eagan, MN  
April 17<sup>th</sup> 2007  
9:30 am - 2:30 pm

Greetings. Thanks to all of you who were able to participate in the second Water Quality Trading Advisory Committee meeting.

Forty seven representatives of 34 organizations participated in the second committee meeting. The email attachment Microsoft Excel file Advisory061207.xls contains two worksheets. The worksheet titled Advisory Committee lists individuals and organizations that have agreed to participate in the process. Please check the accuracy of your contact information on the list. The worksheet titled Meeting Participants is a list of the individuals who participated in the first two committee meetings.

1. Presentations

We heard three excellent Water Quality Trading presentations. Copies of each presentation are enclosed. The following questions and answers are derived from Barbara's excellent (any my less excellent) notes taken during the April 17<sup>th</sup> meeting. They represent my most sincere efforts to reconstruct the discussions that took place at the meeting. Please forgive me if I have missed, misrepresented or misunderstood any of the issues.

- A. Speaker: Mark Kieser  
Organization: Kieser & Associates (Kalamazoo, Michigan)  
Title: Market Based Incentives to Improve Water Quality -  
Trading Program Examples

**Mark S. Kieser - Speaker Biography**

Acting Chair, Environmental Trading Network, and Senior Scientist, Kieser & Associates, LLC. Since 2001, Mr. Kieser has served as Acting Chair of the Environmental Trading Network (ETN), a non-profit clearinghouse for water quality trading program information. As Senior Scientist and principal of the Kalamazoo, Michigan-based firm of Kieser & Associates, Mr. Kieser has 21 years of environmental consulting experience in addition to three years of academic research on water resource issues. Kieser & Associates has been involved in water quality trading program and policy development for over a decade. Mr. Kieser led one of the five EPA supported water quality trading projects in the U.S. in the late 1990s and served on the state of Michigan Water Quality Trading Workgroup that developed the framework for



Michigan's water quality trading rules. Mr. Kieser is now leading a variety of trading projects in the U.S. focused on: state-wide and watershed trading program development; agricultural credit banking schemes; trading applications for urban storm water; electronic water quality trading registries; and, restoration of natural flow regimes in tributaries to the Great Lakes.

The ETN is a national clearinghouse for water quality trading projects. It was initially established as the Great Lakes Trading Network, an adjunct to maximize the regional impacts of the Kalamazoo River Water Quality Trading Demonstration Project in May 1998 (Michigan). Today the ETN includes participants from many of the active and emerging trading programs across the country. The ETN is the only non-profit organization devoted solely to the development and implementation of successful water quality trading programs across the nation. The goals of the ETN are to facilitate implementation of the federal Clean Water Act, optimize the cost of improving water quality, support local watershed management initiatives, create incentives for voluntary point and nonpoint source programs, and, increase the level of public awareness and support for trading. Mr. Kieser holds a B.S. degree in biological sciences from Wittenberg University (Springfield, Ohio) and an M.S. degree from Michigan Technological University in biological sciences.

Kieser & Associates website: <http://www.kieser-associates.com/>

Environmental Trading Network website: <http://www.envtn.org/>

#### Questions following the talk:

Q: NutrientNet: Is it available for others to work with, can it be adapted to other applications?

A: Yes. It's now set up for one watershed in Michigan. It's available for Potomac River basin. Great for the marketplace, providing public interplay in trading programs. People who have gone on it, played with it, say "I get it."

Q: Cuyahoga – was that the river on fire?

A: Yes, lots of ongoing problems. We're seeing huge growth pressure – how to use trading programs to reverse degradation. How to accommodate growth in a way that gets at incremental environmental improvement.

Q: In Michigan you haven't had any trades yet – because of lack of electronic data. What is being done there if no trades?

A: Nothing. That's one problem with TMDLs. We thought they would be great driver for trading. Lack of permit enforcement, etc. has gotten in the way. Lack of demand, as a



function of very little enforcement. Also lack of access to electronic data. Limnotech out of Ann Arbor looked at the rules a few years ago and did an engineering breakdown of the MI rules. The resulting flow diagram had about 10 pages worth of processes. Wastewater treatment plants were looking at spending too much to get a consultant to figure out how to do it.

Q: With MI rules, with system with TMDL, do they have to have load allocation first?

A: Michigan's Department of Environmental Quality is reticent about the rules. We wrote the rules to require non-point sources to achieve the TMDL's load allocation reduction first. Beyond that they could generate credits. Load allocation was a baseline. Since then, the state of Michigan has interpreted the rules to require compliance with the entire load allocation before there can be a trade. That kills trading. We're still arguing – EPA is not pleased with the DEQs interpretation because it kills trading. What we're saying is that is a farmer puts in practices that may be reducing pollutants on a monthly basis or based on precipitation. If a TMDL is seasonal, credits could be generated the TMDL months. If permit limits are not enforced it is hard to get a trading program up and running. We love the Idaho approach: They tell farmers: If you put in one practice, 50 percent goes to TMDL, 50 percent goes to credits.

Q: Northeastern MN is similar to UP of MI. Traditional row crops not a big player: Mining, paper, silviculture, etc.

A: We haven't addressed this in Michigan. There are some interesting parallels with offsets for mining operations. Out West they've done trading schemes for abandoned mines. In a market based system there has to be demand. The question is: Do you have a buyer If you don't have an enforcement driver? (While letting it be voluntary.)

Q: Issue of nutrient credit: Are you looking at total nutrients of PS vs. NPS? We regulate for total phosphorus, not nitrogen.

A: Phosphorus is different than ammonia-nitrogen or BOD. Far-field effect rather than near-field effect. Depends on the pollutant being regulated.

Follow-up: That being the case, what level of TMDL allocation is given to the background component of the TMDL? If you're talking about it in the context of trading, that's background. It can become circular argument.

A: What we're saying is, in the case of generating a credit, you have to have a known baseline. If you're a farmer and want to generate a credit, what have you been doing for the past three years for TMDL? You calculate, if I put these practices in place, what will that do for loading? How does that translate to water quality? In calculating baselines, natural background loading doesn't come into play because you're trading between a buyer and a seller. It could come into play for the margin of safety, which would account for uncertainty.

- B. Speakers: Dennis O'Grady and Jackie Pemberton  
Organization: South Nation Conservation (Berwick, Ontario)  
Title: Phosphorus Trading & Water Quality -  
The Total Phosphorus Management Program

**Dennis O'Grady - Speaker Biography**

General Manager, South Nation River Conservation Authority. Dennis O'Grady has managed watersheds for Conservation Authorities across Ontario for 26 years. For the past 19 years, he has been the General Manager of South Nation Conservation, a 4,000 sq. km. watershed covering 15 municipalities. South Nation delivers a wide variety of programs in groundwater protection, forestry, fisheries, water quality, flood and erosion control and land use planning. The South Nation River Watershed's trading program for phosphorus started 9 years ago and it has completed over 200 verifiable trades. South Nation recently completed a contract for the Province of Ontario detailing how to implement a phosphorus trading program in the Province. Mr. O'Grady has a Masters Degree in Public Administration from Queen's University, and an undergraduate degree in Geography from the University of Western Ontario.

**Jackie Pemberton - Speaker Biography**

Jackie and Steven Pemberton and their two daughters, ages 12 and 16, live on a 3rd generation dairy farm near Winchester. They have a milking herd of 40 pure bred Holsteins. The land base of the farm is 200 acres. Jackie has had a varied career over the years. With an educational background in Animal Care she worked for a time with the Dundas Veterinary Clinic in Winchester. She has been a Wastewater treatment lab technician at Parmalat and the Environmental Manager. In 2003 she left the company to spend more time with her family on the farm, but remains involved with the Environment as she currently manages the Biosolids Program on Parmalat's behalf and provides environmental consulting for the company. Jackie also does soil sampling and GPS work for an agrologist, Apedaile Environmental Services based out of Ottawa.

South Nation Conservation Clean Water Program is the recipient of her expertise as a site representative. Landowners within the watershed may be eligible for water quality improvement grants, for projects such as manure storage, livestock access restriction, septic system repairs. In this position, Jackie visits the site and explains the grants, guidelines and assists the landowner with the paperwork involved in the application for funding process.

Most of her current work is being done from home, which allows time to enjoy her daughters and participate in snowmobiling in the winter and gardening in the summer.

Paper, program description: <http://www.envtn.org/wqt/programs/ontario.PDF>

Program web page: <http://www.nation.on.ca/English/CleanWater.htm>

Questions following the talk:

Q: It looks like a lot of your credit generation is by manure management. Also other practices that don't relate to livestock?

A: Buffer strips, erosion controls. Most BMPs are structural in nature. We don't have to deal with things miles away from stream course. We have open drainage network. We've tried different things around buffers, but that's not what the farmer's going after the money for.

Q: Had you had a previous conservation program similar to Farm Bill conservation programs?

A: BMPs have been delivered through various ag programs for 30 years. Started, stopped, started stopped. Then in mid-1990s when we started up our program, a fairly strong BMP program was delivered by the government at that time – money for that dried up. We found money wherever we could. The whole dynamics of getting the committee working together takes time.

Q: One of your slides showed agricultural concerns. How did the ag community feel that a 2:1 trade ratio was too low?

A: They felt urban people were getting away with murder. Wanted buyers to be responsible for cost.

Q: You had a pretty interesting formula for P loading – elegant.

A: It is based on 80 primary references. Peer reviewed scientific articles. I simplified a complex report. We had to choose an average. We had the paper peer reviewed by a number of researchers, U of Maryland. That was a big step. The trust we had with the regulators helped. If you go into the research paper, you'll see the assumptions made and references as well.

Q: Do you have plans at some point to check the actual water quality?

A: Yes. That's part of our mandate, we do that on a regular basis. Surface water, fisheries. We've seen improved water quality in all parameters. You can never say it's specifically a result of BMP programs. Many factors go into water quality improvement. You can really embrace uncertainty in 4:1 ratio. Whether or not others would embrace. 4:1 may not work in other areas. It works for us.

When it comes to measurement of water, and I'm assuming you measure volumes of nitrogen coming in, loading going out. Phosphorus per cow is a nice and discreet measure. Outside of phosphorus there are not other loading requirements. Only deletion



requirements. Mixing zone, then you sample 100 meters downstream. They tried to do end-of-pipe measures 15 years ago, just couldn't install all the equipment needed.

Q: I thought your comments on the fact that you backed off on this and got the agricultural community in the lead. That's about where we're at in Minnesota. There's a pretty good feeling from the agricultural community that they're not getting the whole story. All they're looking for is good science. One of the things is this issue of 1:1. The idea that something coming off the landscape is the same as something coming off a point source is not valid. In this room we have a few ag reps, but most of them who have policy statements, some are absolutely opposed to this concept without being in charge of it. They're the ones that make the decisions about BMPs, based on good science.

A: One of the points I've seen over and over: If you give people the mandate, the funding, control over the program, they'll make the right decisions. Not immediately, but they will. Agriculturally, once farmers are involved on committee level, they feel ownership not only for the land, but for the watershed.

Q: I'm curious, with 4:1 ratio – have you ever estimated the other side of the formula – cost/payback ratio – what's the affordability for the person buying these credits?

A: Yes, there's not a lot of debate among the dischargers when they sign the permits. A lot of acceptance among our municipal councils out there. There is genuine desire to help out the rural community as well. Payback depends on the individual discharger. It's been looked at, but when they do the environmental assessments, no discharger has chosen any other option.

- C. Speaker: Douglas “Dusty” Hall  
Organization: The Miami Conservancy District (Dayton, Ohio)  
Title: Great Miami River Watershed - Water Quality Credit Trading Program

**Douglas 'Dusty' Hall - Speaker Biography**

Manager of Program Development, The Miami Conservancy District. Dusty joined The Miami Conservancy District in 2002 and is currently the Manager of Program Development. Prior to joining the Conservancy, Dusty served for 15 years as a manager and executive with the City of Dayton and 10 years as a research scientist with the University of Dayton Research Institute. Dusty has a wide range of experience in water resources management ranging from drinking water protection to storm water management. In 1999, Dusty was named as one of seven National Drinking Water Heroes by the U.S. EPA. He holds a Bachelor of Science from Wright State University and a Master of Science from the University of Dayton. He is also a graduate of the Senior Executive Institute at the University of Virginia.

Article: <http://www.conservationinformation.org/partners/070106/feature.asp>

Program web page: [http://www.miamiconservancy.org/water/quality\\_credit.asp](http://www.miamiconservancy.org/water/quality_credit.asp)

Questions following the talk:

Q: That involved a TMDL, didn't it?

A: One of the 4 watersheds has a TMDL.

Follow-up: What contribution was allotted to what would normally be coming off that landscape? How did they come up with background loading?

A: Naturally occurring phosphorus, I'm not sure.

Follow-up: Does EPA encourage that this be established? Something would be coming off the landscape, regardless of what is done.

A: It's not the naturally occurring P that's causing the problem.

Q: Incentives?

A: None of the wastewater treatment plants were obligated to do anything, but wanted to do something. We said, whatever you can accumulate in terms of annual discharge requirements – future reductions – you can trade at lowest trading ratio possible.





Q: At the point of discharge? You're not looking at impact of discharge downstream?

A: Yes, at the point of discharge.

Q: You don't have NPDES requirements?

A: No, don't see going there. Say we require some NPDES -- it will be funded through the farm bill, which won't happen.

Q: Credit pool – who paid for them, who decides who gets to tap them, etc.?

A: Ratios will kick in when ratios are higher than 1:1. Then the money drops into that pool, where credits sit for five years. We don't have any NPDES permits requiring anyone to participate yet, but the moment a plant has one that pool will begin to be populated.

Q: For ratios above 1:1, where does the improved allocation go?

A: First of all, a new comprehensive data set is not included in TMDL, the model included 350 samples. We said to EPA, you've got this disaster sitting out there, an approved TMDL with 0 credibility... fix it. Their response was: We've got too many more boxes to check, numbers to hit, we're not going to fix TMDLs that has already been approved. It will be re-evaluated in 2019.

2. Lunch - Box lunches were catered by the Nelson Cheese Company. Uneaten lunches were delivered to the Union Gospel Mission. They were happy to have them.

### 3. Panel Discussion:

The speakers from the morning's session answered questions from the advisory committee.

A. Each panelist was asked to offer one piece of advice:

Jackie: Engage the rural population, agriculture, and keep it simple.

Dusty: MPCA: You all have got to make a decision about the quantification piece and move on. Keep it simple if you can.

Dennis: Two keys to success: True watershed stakeholder representation (on committee). Also, have a good manager of the committee. (Marco you're going to do a great job.)

Mark: Unless you accept some uncertainty, you're going to be paralyzed.



B. Question & Answer Session:

Q: Is it a good idea to establish a trading program in advance of a rule or is it better to have a rule in place before trades are established? Michigan and Ohio have different experiences with this.

Mark: In Michigan we had a change in leadership and a change in interpretation of pre-TMDL trading requirements. You have to be explicit in what is written into the rule or policy. You could write ad nauseam what every line means. Be explicit about what pre-TMDL trading means, and stick to it. Make sure everyone is very clear about it.

Dusty: This was such a learning curve, our state wasn't even contemplating rule-making. State assured us they had the authority to implement the program even without rules. We had momentum elsewhere. The rule development process slowed us down. They studied and studied our program and didn't have stakeholders, because we had them all. Have closely scrutinized pilot programs that you can learn from, then determine if you need rules. The MPCA needs to decide how to do this and move on.

Q: Why did you do the economic study of the Great Miami watershed?. If you had not done that study, would there have been a driver to get you started?

Dusty: We did the study to explore the idea that agricultural BMPs could achieve results more inexpensively. Would it really be cost effective and an economic driver? We also had an evolving regulatory driver. Wastewater treatment plants were thinking that phosphorus and nitrogen limits would come. The data was very helpful.

Q: Dusty, you gave example of the failure of a TMDL in Ohio. Mark, you said there was a lack of synergy between TMDLs and trading in Michigan. From the states' perspective are trading and TMDLs compatible?

Mark: TMDLs are good driver for trading. In Minnesota you have so far developed good TMDLs with all players at the table. In Michigan agriculture was not at the table and they ended up with a lot of the responsibility. This is how allocations unfolded. Not a lot of pain placed on point sources. There is no regulatory bite behind TMDLs in Michigan.

Dusty: The whole "baseline" discussion has created a lot of confusion. US EPA language has reinforced the confusion. Should the agricultural load allocation be met before credits can be generated? If so, then trading is dead! On the other hand, our view is, OK, TMDLs happen. Federal and state governments, you got into this so you want 75 percent funded, but we're not going to wait. So we have another, complementary, system operating parallel where we make water quality improvements. That's not to say wastewater treatment plants will not have to be upgraded at some point down the road.

Mark: The key is that if you develop TMDLs absent discussion of trading, then it is hard to bring trading into the process later. If trading is in mix of TMDL discussions, then

everyone recognizes trading is a tool and becomes willing to accept some pain. After the fact it's like you're trying to pour your chocolate syrup on empty bowl of ice cream.

Q: Mark, you said "There shouldn't be requirements placed on farmers." Why do you say that given the increasing corporatization of agriculture? Also what did you mean by "fluff"?

Mark: The large animal operations are falling into the CAFO category with permits and regulatory requirements. Most other farmers are willing to do things to improve their operations, but if anything smacks of a regulatory scheme they won't want to be part of it. If we look at all the TMDLs we have in the country, do we really feel we'll get the improvements without any incentives? Can we regulate agriculture? If farmers want to participate in trading, they may need to come up to level of performance (baseline) before they can participate in credits. There is a threshold, a non-permitted threshold of performance. From what we've seen, it's a lot more palatable way for agriculture to become involved. If you tie it directly to a permit, they're likely going to say no. You can incentivize agriculture to participate in these programs if you can separate the strict permitting aspects. Credit brokers can act as firewalls.

"Fluff" – the old argument about "rights to pollute." Is a discharge permit a right to pollute? Are you getting into property rights? These arguments fail to pan out as big property rights issues with respect to water quality credit trading. Right to pollute and license to pollute were incendiary types of definitions that were placed on trading early on. Eventually people really understood trading and saw that organizational goals could be addressed by trading and a lot of those arguments went away. Many concerns were addressed programmatically. The arguments didn't play out.

Dusty: This whole concept about threshold for performance: About 50 percent of our farmers were already engaged in conservation practices. We want the guys not doing conservation practices to start doing conservation practices. This might mean take some areas out of production. If we set a threshold, we're going to miss the people who can do the most good for the least amount of money. You have to balance. The people in the worst position in the reverse auction are the ones doing the most good. But they're not having the greatest impact – it's those not doing anything who we want to come in.

Michigan's and Ohio's approaches are different. Ohio is buyer's market. Michigan says if a farmer purchases equipment that does better job, that farmer may be able to generate credits. If he was going to do it anyway, he can still participate.

Q: Mark, reserve capacity, how should TMDL allocate reserve capacity? If you have some, who do you give it to? First come, first served? Keep it in reserve forever?

Mark: Reserve capacity probably delays trading. It depends on how the state sets up the TMDL. Built for future growth, the capacity could be out there.

Q: How much regulatory pressure are the livestock facilities under? Smaller farms are not under regulatory pressure. It is new or expanding farms that are affected. If we are honest, you've got livestock, which is pretty regulated. Same sort of regulation does not exist if I'm strictly a crop farmer. Two groups within agriculture, one with higher regulatory burden, and one that today does not.

Dusty: Do you see this as an inequity?

A: It's a perception that with regulation, it must be worse.

Dusty: With our program we don't attempt to address that. If you have to do it by law, we don't pay for it. What we would do is look at what a crop farmer is required to do, what cattle farmer is required to do, what a rancher is required to do, and go beyond that. If it's an inequity in the system, we don't attempt to address it. That's somebody else's challenge.

Mark: That's why agriculture should be in these discussions, to weigh in on those kinds of issues.

Q: If you're already regulating a lot of things, what do we have left to trade? The costs get out of hand pretty fast, because the low-hanging fruit is gone.

Dusty: Economic studies bear out what you said. If the last 25 percent is where you can create credits, those are going to be pretty costly.

Q: Is your point is that in Minnesota it's going to be a complicated system of what's eligible for credits because it's pretty heavily regulated? We have several levels of financial assistance programs, federal and state. Few credits will be available if we make credits available only above what's already financed. On the other side of the coin, how much additional capacity is there going to be for new acreage amounts? If your TMDL overestimates capacity of non-point source to solve the problem, how much can credit trading add to the mix of what we've already got?

Mark: You can look at things that are not regulated in agriculture, like flow and sediment loading with no baselines but with similar ecological benefits you're trying to get. In Florida for example credits can be generated by creating wetlands and putting in alternative crops. Make the rules simple enough so you're flexible. Use trading rules as basis for saying, here's the level playing field on which everyone can operate, but be flexible.

Q: Your division between public sector financing and generating credits – does it extend to low-interest loans? Farmers pay back cost of loan, but are getting discounts on a percentage of the interest. Can they use public financing with finance money to generate credits?



Dusty: Yes, because they're committed to repay the loan. They could use the loan to buy down their bid price. They could come into the trading market after the loan and get their project funded. We tried to get creative about leveraging loans but it didn't work with timing of farm bill.

Q: In your examples, is trading occurring farm by farm, or are aggregators getting together and negotiating a package?

Dusty: Wastewater treatment plants pool the money. We do Requests For Proposals and handle the application process for the funds. 70 percent of credits are generated upstream from Dayton wastewater treatment plant. Credits have to be generated upstream from the buyer's discharge.

Dennis: Where we are, it's a regulatory driver. We set the price based on costs. Wastewater treatment plants know the price upfront.

Q: Low interest loans have more value when interest rates are high. Otherwise, it's more time and headache than they're worth to save only a little bit of interest. Another challenge is that engineering costs on some of these projects are very high. Getting them designed to specs that government agencies want them designed for. The final cost of some projects is twice what it would have been if you just had private engineer do it, and you haven't gained a dollar. You're going to have to be more flexible on the engineering side.

Dusty: We're not encumbered by those processes. If a project is certified by soil and water district staff a producer can request 100% or even 110% of the engineering costs. It is a reverse auction process. If the bid is competitive, it can be funded.

Mark: A farmer may say instead of going through the cost, he's just going to do it. We'd say it has value if the project results in load reduction. The farmer just made an investment in something he can sell. Farmers are making those decisions based on whether a credit can be generated two years down the road. Have the mechanism in place so that when market demand comes, he can get credit.

Q: Forget about phosphorus, forget about nitrogen. Mercury, bacteria, beach closings and sewage overflows. None of this phosphorus stuff even registers on my radar. I go back up to Duluth, they'll say what are you talking about Phosphorus, phosphorus? Is it worth it for us to be thinking about trading.

A: Build in the flexibility now in the rules. There are programs that deal with bacteria, heavy metals. EPA has set their policy to allow a couple of pilot trades for mercury. The Ohio River has an interesting scenario. They have bacteria exceedences, Ohio is looking for non-point sources. (It can be avian source... negotiate with flock of geese?)



Dusty: We've talked with Ohio EPA about these sources. They would say eliminate 100 percent of the overflows, but what if we said that you eliminate 95 percent and you trade the other 5 percent. The assumption now is you will never have an overflow again.

Mark: There are big dollars in that last 5 percent. Billions of dollars spent to prevent it.

Q: Is it feasible to create in essence a banking program. The proportion they invested their own money in, putting those credits in a bank, having them available in the future, cause they're driven to do it for personal reasons. Is it feasible?

Mark: Sure, it's simple. It can be done through life of credit. We have a 5 year life for credits, they can be traded after they reach maturity. We have it such that 319 programs cannot generate credits. For some cost share programs, 50 percent of reductions are eligible to generate credits. In some state rules 100 percent of cost shared projects are eligible to generate credits.

Dusty: One word of warning about banking. Our initial design was that credits would be generated in initial 5 years but US EPA said credits must be generated contemporaneously with the reductions. That's why we had to come back and build this early incentive approach. We do have a five-year life for our insurance pool and were able to get buy-in for that. One definition could be the Michigan case. Another could be that the annual reduction has to be met with the annual load. A subtle difference. In the Michigan rule, they establish when the credit is valid rather than waiting until there's a buyer. You can put your BMP in now and hope someone will come along years from now to buy that credit.

Q: Did any wastewater plants have effluent limits? We've already got 75percent reduction.

Dusty: No. If they're doing biological nutrient removal (BNR), they're not going to want to be in a trading program because they're already doing the reductions.

Q: What would drive people to buy our credits if there is no regulation on agriculture?

Mark: Stormwater is regulated .

Q: Dusty, how did you get the soil and water conservation districts to do all the work?

Dusty: It is a lot of extra work. Some districts couldn't afford to do it.

1) They're professionals, they love what they do, any time someone brings a new source of funding .

2) They can build their costs into their bid. They don't want their producer to not make the cut because their staff costs are too high. We've had cases where the payment for the SWCD was higher than for the producer so we created a policy to prevent that from happening again. The result has to be nutrient discharge reductions.



Q: How about from drinking water standpoint. Where's the drinking water provider sit in all this?

Dusty: We use groundwater throughout our watershed. They have source water concerns, none of which include phosphorus, some include nitrogen. They're interested in a potential buyer. They could get paid for by wastewater plants. They are interested in discharge to surface water as well as to groundwater.

Mark: City of Ft Wayne, Indiana spends a lot of money on water treatment. They could they make some of that cost go away if they had reductions happen upstream? Depends on the system. Allowing the flexibility for that to happen is key.

#### 4. Next Steps

Finally I suggested that the next meeting would be set up around the end of June. At this point I would like to postpone until the July 17th. I will be in touch soon with logistics for the next meeting.

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Once again, many very interesting ideas and discussions. I hope we can continue refining these thoughts at future meetings. This concludes the summary of our second advisory committee meeting. Thank you for your assistance in this project, I look forward to seeing you at the next meeting.

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