

16105182D

**SENATE BILL NO. 314****AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the Senate Committee on Agriculture, Conservation and Natural Resources  
on February 4, 2016)

(Patron Prior to Substitute—Senator Dance)

*A BILL to amend and reenact § 62.1-44.19:15 of the Code of Virginia, relating to the Chesapeake Bay Watershed Nutrient Credit Exchange Program.*

**Be it enacted by the General Assembly of Virginia:**

**1. That § 62.1-44.19:15 of the Code of Virginia is amended and reenacted as follows:**

**§ 62.1-44.19:15. New or expanded facilities.**

A. An owner or operator of a new or expanded facility shall comply with the applicable requirements of this section as a condition of the facility's coverage under the general permit.

1. An owner or operator of a facility authorized by a Virginia Pollutant Discharge Elimination System permit first issued before July 1, 2005, that expands his facility to discharge 100,000 gallons or more per day, or an equivalent load directly into tidal waters, or 500,000 gallons or more per day, or an equivalent load, directly into nontidal waters shall demonstrate to the Department that he has acquired waste load allocations sufficient to offset any increase in his delivered total nitrogen and delivered total phosphorus loads resulting from any expansion beyond his waste load allocations or permitted design capacity as of July 1, 2005, and will install state-of-the-art nutrient removal technology at the time of the expansion.

2. An owner or operator of a facility authorized by a Virginia Pollutant Discharge Elimination System permit first issued before July 1, 2005, that expands his facility to discharge 100,000 gallons or more per day up to and including 499,999 gallons per day, or an equivalent load, directly into nontidal waters, shall demonstrate to the Department that he has acquired waste load allocations sufficient to offset any increase in his delivered total nitrogen and delivered total phosphorus loads resulting from any expansion beyond his permitted capacity as of July 1, 2005, and will install, at a minimum, biological nutrient removal technology at the time of the expansion.

3. An owner or operator of a facility authorized by a Virginia Pollutant Discharge Elimination System permit first issued before July 1, 2005, that expands his facility to discharge 40,000 gallons or more per day up to and including 99,999 gallons per day, or an equivalent load, directly into tidal or nontidal waters, shall demonstrate to the Department that he has acquired waste load allocations sufficient to offset any increase in his delivered total nitrogen and delivered total phosphorus loads resulting from any expansion beyond his permitted capacity as of July 1, 2005.

4. An owner or operator of a facility authorized by a Virginia Pollutant Discharge Elimination System permit first issued on or after July 1, 2005, to discharge 40,000 gallons or more per day, or an equivalent load, shall demonstrate to the Department that he has acquired waste load allocations sufficient to offset his delivered total nitrogen and delivered total phosphorus loads, and will install (i) at a minimum, biological nutrient removal technology at any facility authorized to discharge up to and including 99,999 gallons per day, or an equivalent load, directly into tidal and nontidal waters, or up to and including 499,999 gallons per day, or an equivalent load, to nontidal waters; and (ii) state-of-the-art nutrient removal technology at any facility authorized to discharge 100,000 gallons or more per day, or an equivalent load, directly into tidal waters, or 500,000 gallons or more per day, or an equivalent load, directly into nontidal waters.

5. An owner or operator of a facility treating domestic sewage authorized by a Virginia Pollutant Discharge Elimination System permit with a discharge greater than 1,000 gallons per day up to and including 39,999 gallons per day that has not commenced the discharge of pollutants prior to January 1, 2011, shall demonstrate to the Department that he has acquired waste load allocations sufficient to offset his delivered total nitrogen and delivered total phosphorus loads prior to commencing the discharge, except when the facility is for short-term temporary use only or when treatment of domestic sewage is not the primary purpose of the facility.

B. Waste load allocations required by this section to offset new or increased delivered total nitrogen and delivered total phosphorus loads shall be acquired in accordance with this subsection.

1. Such allocations may be acquired from one or a combination of the following:

a. Acquisition of all or a portion of the waste load allocations or point source nitrogen or point source phosphorus credits from one or more permitted facilities in the same tributary;

b. Acquisition of credits certified by the Board pursuant to § 62.1-44.19:20. Such best management practices shall achieve reductions beyond those already required by or funded under federal or state law, or the Virginia Chesapeake Bay TMDL Watershed Implementation Plan, and shall be installed in the same tributary in which the new or expanded facility is located and included as conditions of the

60 facility's individual Virginia Pollutant Discharge Elimination System permit;

61 c. Acquisition of allocations purchased through the Nutrient Offset Fund established pursuant to  
62 § 10.1-2128.2; or

63 d. Acquisition of allocations through such other means as may be approved by the Department on a  
64 case-by-case basis.

65 e. *Acquisition of credits or allocations through the implementation of best management practices on*  
66 *lands owned or controlled by, or under contractual obligation with, the new or expanded facility that*  
67 *achieve reductions greater than those currently required by or funded under federal or state law, or the*  
68 *Virginia Chesapeake Bay TMDL Watershed Implementation Plan, subject to the approval by the Board*  
69 *in accordance with standards and procedures that are consistent with those established in*  
70 *§ 62.1-44.19:20. Any such best management practices shall be implemented on lands within the same*  
71 *tributary as the new or expanded facility, and any credits assigned by the Board based on those*  
72 *practices shall be subject to adjustment based on the relevant delivery factor, as defined in*  
73 *§ 62.1-44.19:13.*

74 2. Such allocations or credits shall be provided for a minimum period of five years with each  
75 registration under the general permit. This subdivision shall not preclude ~~the Board from adopting~~  
76 longer-term or permanent ~~allocation requirements by regulation~~ allocations, *except that such allocations*  
77 *are subject to modification by the Board where necessary to conform to the Virginia Chesapeake Bay*  
78 *TMDL.*

79 3. The Board shall give priority to allocations or credits acquired in accordance with subdivisions 1  
80 a, 1 b, and 1 d. The Board shall approve allocations acquired in accordance with subdivision 1 d only  
81 after the owner or operator has demonstrated that he has made a good faith effort to acquire sufficient  
82 allocations in accordance with subdivisions 1 a, 1 b, and 1 d and that such allocations are not  
83 reasonably available taking into account timing, cost, and other relevant factors.

84 4. Notwithstanding the priority provisions in subdivision 3, the Board may grant a waste load  
85 allocation in accordance with subdivision 1 d to an owner or operator of a facility authorized by a  
86 Virginia Pollution Abatement permit to land apply domestic sewage if (i) the Virginia Pollution  
87 Abatement permit was issued before July 1, 2005; (ii) the waste load allocation does not exceed such  
88 facility's permitted design capacity as of July 1, 2005; (iii) the waste treated by the existing facility is  
89 going to be treated and discharged pursuant to a Virginia Pollutant Discharge Elimination System permit  
90 for a new discharge; and (iv) the owner or operator installs state-of-the-art nutrient removal technology  
91 at such facility. Such facilities cannot generate credits or waste load allocations, based upon the removal  
92 of land application sites, that can be acquired by other permitted facilities to meet the requirements of  
93 this article.

94 C. Until such time as the Director finds that no allocations are reasonably available in an individual  
95 tributary, the general permit shall provide for the acquisition of allocations through payments into the  
96 Nutrient Offset Fund established in § 10.1-2128.2. Such payments shall be promptly applied by the  
97 Department to achieve equivalent point or nonpoint source reductions in the same tributary beyond those  
98 reductions already required by or funded under federal or state law or the Virginia Chesapeake Bay  
99 TMDL Watershed Implementation Plan. The general permit shall base the cost of each pound of  
100 allocation on (i) the estimated cost of achieving a reduction of one pound of nitrogen or phosphorus at  
101 the facility that is securing the allocation, or comparable facility, for each pound of allocation acquired;  
102 or (ii) the average cost of reducing two pounds of nitrogen or phosphorus from nonpoint sources in the  
103 same tributary for each pound of allocation acquired, whichever is higher. Upon each reissuance of the  
104 general permit, the Board may adjust the cost of each pound of allocation based on current costs and  
105 cost estimates.

106 D. The acquisition of nutrient allocations or credits from animal waste-to-energy or animal waste  
107 reduction facilities, or the acquisition of such nutrient allocations or credits from entities acting on  
108 behalf of such facilities, shall be considered point source allocations or credits for all nutrient trading  
109 purposes and shall not be subject to any otherwise applicable nonpoint source trading ratio if the best  
110 management practice being used to generate such nutrient allocations or credits is a point source nutrient  
111 removal technology. Point source nutrient removal technology shall include animal waste gasification in  
112 which lab analysis of the animal waste reveals the concentration of nutrients in the animal waste being  
113 fed into the gasifier, and the fate of the nutrients during the animal waste gasification process, is known  
114 and documented using studies such as air emissions tests and ash analyses.