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## HOUSE BILL NO. 176

## AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Agriculture, Chesapeake and Natural Resources  
on February 8, 2012)

(Patron Prior to Substitute—Delegate Knight)

A BILL to amend and reenact §§ 10.1-603.8:1, 62.1-44.19:13, 62.1-44.19:15, and 62.1-44.19:18 of the Code of Virginia and to amend the Code of Virginia by adding in Chapter 6 of Title 10.1 an article numbered 1.1:1, consisting of sections numbered 10.1-603.15:1 through 10.1-603.15:5, and by adding in Article 4.02 of Chapter 3.1 of Title 62.1 a section numbered 62.1-44.19:20, relating to the expansion of the nutrient credit exchange program and the development of a credit registry.

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

1. That §§ 10.1-603.8:1, 62.1-44.19:13, 62.1-44.19:15, and 62.1-44.19:18 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Chapter 6 of Title 10.1 an article numbered 1.1:1, consisting of sections numbered 10.1-603.15:1 through 10.1-603.15:5, and by adding in Article 4.02 of Chapter 3.1 of Title 62.1 a section numbered 62.1-44.19:20 as follows:

§ 10.1-603.8:1. Nutrient credit use and additional off-site options for construction activities.

A. As used in this section:

"Nonpoint nutrient offset" means nutrient reductions certified as nonpoint nutrient offsets under the Chesapeake Bay Watershed Nutrient Exchange Program (§ 62.1-44.19:12 et seq.).

"Nutrient credit" or "credit" means a nutrient credit certified pursuant to Article 1.1:1 (§ 10.1-603.15:1 et seq.).

"Permit issuing authority" has the same meaning as in § 10.1-603.2 and includes any locality that has adopted a local stormwater management program.

"Tributary" has the same meaning as in § 62.1-44.19:13. For for areas outside of the Chesapeake Bay watershed, "tributary" includes the following watersheds: Albemarle Sound, Coastal; Atlantic Ocean, Coastal; Big Sandy; Chowan; Clinch-Powell; New Holston (Upper Tennessee); New River; Roanoke; and Yadkin.

B. Permit issuing authorities are authorized to allow compliance with stormwater nonpoint nutrient runoff water quality criteria established pursuant to § 10.1-603.4, in whole or in part, through the use of the permittee's applicant's acquisition of nonpoint nutrient offsets nutrient credits in the same tributary.

C. No permit issuing authority shall allow the use of nonpoint nutrient offsets applicant shall use nutrient credits to address water quantity control requirements. No permit issuing authority shall allow the use of nonpoint nutrient offsets applicant shall use nutrient credits or other off-site options in contravention of local water quality-based limitations: (i) consistent with determinations made determined pursuant to subsection B of § 62.1-44.19:7 § 62.1-44.19:14, (ii) contained in a municipal separate storm sewer system (MS4) program plan approved by the Department, or adopted pursuant to § 10.1-603.7 or other applicable authority, (iii) deemed necessary to protect public water supplies from demonstrated adverse nutrient impacts, or (iv) as otherwise may be established or approved by the Board. Where such a limitation exists, off-site options may be used provided that such options do not preclude or impair compliance with the local limitation.

D. A permit issuing authority shall allow off-site options in accordance with subsection I when:

1. Less than five acres of land will be disturbed;

2. The postconstruction phosphorous control requirement is less than 10 pounds per year; or

3. The permit applicant demonstrates to the satisfaction of the permit issuing authority that (i) alternative site designs have been considered that may accommodate on-site best management practices, (ii) on-site best management practices have been considered in alternative site designs to the maximum extent practicable, (iii) appropriate on-site best management practices will be implemented, and (iv) full compliance with postdevelopment nonpoint nutrient runoff compliance requirements cannot practicably be met on site. For purposes of this subdivision, if an applicant demonstrates on-site control of at least 75 percent of the required phosphorous nutrient reductions, the applicant shall be deemed to have met the requirements of clauses (i) through (iv);

2. Less than five acres of land will be disturbed; or

3. The postconstruction phosphorous control requirement is less than 10 pounds per year.

E. Documentation of the permittee's applicant's acquisition of nonpoint nutrient offsets nutrient credits shall be provided to the permit issuing authority and the Department in a certification from an offset broker the credit provider documenting the number of phosphorus nonpoint nutrient offsets nutrient credits acquired and the associated ratio of nitrogen nonpoint nutrient offsets at the offset nutrient credits at the credit-generating facility. The offset broker shall pay the permit issuing authority

60 *Until the effective date of regulations establishing application fees in accordance with § 10.1-603.15:2,*  
61 *the credit provider shall pay the Department a water quality enhancement fee equal to six percent of the*  
62 *amount paid by the permittee for the nonpoint nutrient offsets. If a locality is not the permit issuing*  
63 *authority, such credits. Such fee shall be deposited into the Virginia Stormwater Management Fund*  
64 *established by § 10.1-603.4:1. If the permit issuing authority is a locality, such fees shall be used solely*  
65 *in the locality where the associated stormwater permit applies for inspection and maintenance of*  
66 *stormwater best management practices, stormwater educational programs, or programs designed to*  
67 *protect or improve local water quality.*

68 F. ~~Nonpoint nutrient offsets~~ *Nutrient credits* used pursuant to subsection B shall be generated in the  
69 same or adjacent ~~eight digit eight-digit~~ hydrologic unit code as defined by the United States Geological  
70 Survey as the permitted site. ~~Nonpoint nutrient offsets except as otherwise limited in subsection C.~~  
71 *Nutrient credits* outside the same or adjacent ~~eight digit eight-digit~~ hydrologic unit code may only be  
72 used if it is determined by the permit issuing authority that no ~~nonpoint nutrient offsets credits~~ are  
73 available within the same or adjacent ~~eight digit eight-digit~~ hydrologic unit code when the permit issuing  
74 authority accepts the final site design. In such cases, and subject to other limitations imposed in this  
75 section, ~~nonpoint nutrient offsets generated credits available~~ within the same tributary may be used. In  
76 no case shall ~~nonpoint nutrient offsets credits~~ from another tributary be used.

77 G. For that portion of a site's compliance with stormwater nonpoint nutrient runoff water quality  
78 criteria being obtained through ~~nonpoint nutrient offsets~~, a permit issuing authority shall (i) ~~use nutrient~~  
79 *credits, the applicant shall (i) comply with a 1:1 ratio of the nonpoint nutrient offsets nutrient credits to*  
80 *the site's remaining postdevelopment nonpoint nutrient runoff compliance requirement and (ii) assure that*  
81 *the nonpoint nutrient offsets are secured in perpetuity being met by credit use and (ii) use credits*  
82 *certified as perpetual credits pursuant to Article 1.1:1 (§ 10.1-603.15:1 et seq.).*

83 H. No permit issuing authority may grant an exception to, or waiver of, postdevelopment nonpoint  
84 nutrient runoff compliance requirements unless off-site options have been considered and found not  
85 available.

86 I. The permit issuing authority shall require that ~~nonpoint nutrient offsets nutrient credits~~ and other  
87 off-site options approved by the Department or applicable state board, including locality pollutant  
88 loading pro rata share programs established pursuant to § 15.2-2243, achieve the necessary nutrient  
89 reductions prior to the commencement of the ~~permittee's applicant's~~ land-disturbing activity. A pollutant  
90 loading pro rata share program established by a locality pursuant to § 15.2-2243 and approved by the  
91 Department or applicable state board prior to January 1, 2011, including those that may achieve nutrient  
92 reductions after the commencement of the land-disturbing activity, may continue to operate in the  
93 approved manner for a transition period ending June 30, 2014. The ~~permittee applicant~~ shall have the  
94 right to select between the use of ~~nonpoint nutrient offsets nutrient credits~~ or other off-site options,  
95 except during the transition period in those localities to which the transition period applies. The locality  
96 may use funds collected for nutrient reductions pursuant to a locality pollutant loading pro rata share  
97 program under § 15.2-2243 for nutrient reductions in the same tributary within the same locality as the  
98 land-disturbing activity or for the acquisition of ~~nonpoint nutrient offsets nutrient credits~~. In the case of  
99 a phased project, the ~~permittee applicant~~ may acquire or achieve the off-site nutrient reductions prior to  
100 the commencement of each phase of the land-disturbing activity in an amount sufficient for each such  
101 phase.

102 J. The Board may establish by regulation a stormwater nutrient program for portions of the  
103 Commonwealth that do not drain into the Chesapeake Bay.

104 K. Nutrient reductions obtained through ~~nonpoint nutrient offsets nutrient credits~~ shall be credited  
105 toward compliance with any nutrient allocation assigned to a municipal separate storm sewer system in a  
106 Virginia Stormwater Management Program Permit or Total Maximum Daily Load applicable to the  
107 location where the activity for which the ~~nonpoint nutrient offsets nutrient credits~~ are used takes place.  
108 If the activity for which the ~~nonpoint nutrient offsets nutrient credits~~ are used does not discharge to a  
109 municipal separate storm sewer system, the nutrient reductions shall be credited toward compliance with  
110 the applicable nutrient allocation.

111 L. K. A permit issuing authority shall allow the full or partial substitution of ~~nonpoint nutrient offsets~~  
112 *perpetual nutrient credits* for existing on-site nutrient controls when (i) the ~~nonpoint nutrient offsets~~  
113 *nutrient credits* will compensate for 10 or fewer pounds of the annual phosphorous requirement  
114 associated with the original land-disturbing activity or (ii) existing on-site controls are not functioning as  
115 anticipated after reasonable attempts to comply with applicable maintenance agreements or requirements  
116 and the use of ~~nonpoint nutrient offsets nutrient credits~~ will account for the deficiency. ~~The~~ Upon  
117 *determination by the permit issuing authority that the conditions established by clause (i) or (ii) has*  
118 *been met, the party responsible for maintenance shall be released from maintenance obligations related*  
119 *to the on-site phosphorous controls for which the nonpoint nutrient offsets nutrient credits are substituted.*

120 M. L. To the extent available, with the consent of the permittee, the permit issuing authority or the  
121 Department may include the use of ~~nonpoint nutrient offsets nutrient credits~~ or other off-site measures

in resolving enforcement actions to compensate for (i) nutrient control deficiencies occurring during the period of noncompliance and (ii) permanent nutrient control deficiencies.

*N. M.* This section shall not be construed as limiting the authority established under § 15.2-2243; however, under any pollutant loading pro rata share program established thereunder, the subdivider or developer shall be given appropriate credit for nutrient reductions achieved through ~~nonpoint nutrient offsets~~ *nutrient credits* or other off-site options.

*N.* In order to properly account for allowed nonpoint nutrient off-site reductions, an applicant shall report to the Department in accordance with Department procedures information regarding all off-site reductions that have been authorized to meet stormwater postdevelopment nonpoint nutrient runoff compliance requirements.

*O.* An applicant or a permittee found to be in noncompliance with the requirements of this section shall be subject to the enforcement and penalty provisions of this article.

#### Article 1.1:1.

### NUTRIENT TRADING ACT.

#### § 10.1-603.15:1. Definitions.

"Best management practice," "practice," or "BMP" means a structural practice, nonstructural practice, or other management practice used to prevent or reduce nutrient loads reaching surface waters or the adverse effects thereof.

"Board" means the Virginia Soil and Water Conservation Board.

"Department" means the Department of Conservation and Recreation.

"MS4" means a municipal separate storm sewer system.

"Nutrient credit" or "credit" means a nutrient reduction that is certified pursuant to this article and expressed in pounds of phosphorus or nitrogen either (i) delivered to tidal waters when the credit is generated within the Chesapeake Bay Watershed or (ii) as otherwise specified when generated in the Southern Rivers watersheds.

#### § 10.1-603.15:2. Nutrient credit certification.

A. The Board shall adopt regulations for the purpose of establishing statewide procedures for the certification by the Board of nutrient credits other than (i) point source nitrogen and point source phosphorus credits generated by point sources covered by the general permit issued pursuant to § 62.1-44.19:14 and (ii) nutrient credits certified by the State Water Control Board and the Department of Environmental Quality pursuant to § 62.1-44.19:20. During the promulgation of the regulations, the Board shall consult with the Department of Environmental Quality to avoid duplication and promote consistency where appropriate. The regulations shall be designed in a manner that promotes certainty for credit market participants to the extent possible.

B. The regulations adopted pursuant to this section shall:

1. Establish procedures for the certification and registration of credits including:

a. Certifying credits that may be generated from agricultural and urban stormwater best management practices, use or management of manures, managed turf, land use conversion, stream or wetlands projects, shellfish aquaculture, algal harvesting, and other established or innovative methods of nutrient control or removal, as appropriate;

b. Establishing a process and standards for wetland or stream credits to be converted to nutrient credits. Such process and standards shall only apply to wetland or stream credits established after July 1, 2005, and have not been transferred or used. Under no circumstances shall such credits be used for both wetland or stream credit and nutrient credit purposes;

c. Certifying credits from multiple practices that are bundled as a package by the applicant;

d. Prohibiting the certification of credits generated from activities funded by federal or state water quality grant funds; however, baseline levels may be achieved through the use of such grants;

e. Establishing a timely and efficient review certification process including application requirements, a reasonable application fee schedule not to exceed \$10,000 per application, and review and approval procedures; and

f. Requiring public notification of a proposed nutrient credit generating facility;

2. Establish credit calculation procedures for all proposed credit generating practices, including the determination of baselines in accordance with the following:

a. Baselines established for agricultural practices shall be those actions necessary to achieve a level of reduction assigned in the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs as implemented on the tract, field, or other land area under consideration.

b. Baselines for urban practices from new development and redevelopment shall be in compliance with postconstruction nutrient loading requirements of the Virginia Stormwater Management Program regulations. Baselines for all other existing development shall be at a level necessary to achieve the reductions assigned in the urban sector in the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs.

c. Baselines for land use conversion shall be based on the pre-conversion land use and the level of reductions assigned in the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs applicable to that land use.

d. Baselines for other credit generating practices shall be based on the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs using the best available scientific and technical information.

e. Unless otherwise established by the Board, for certification within the Chesapeake Bay Watershed a credit generating practice that involves land use conversion shall represent controls beyond those in place as of July 1, 2005. For other waters for which a TMDL has been approved, the practice must represent controls beyond those in place at the time of TMDL approval.

f. Credit quantities shall be established using the best available scientific and technical information at the time of certification.

g. The Board shall establish baseline dates for all credit generating practices based on the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs;

3. Provide certification of credits on an appropriate temporal basis, such as annual, term of years, or perpetual, depending on the nature of the credit generating practice. A credit shall be certified for a term of at least 12 months;

4. Establish requirements to reasonably assure the generation of the credit depending on the nature of the credit generating activity and use, such as legal instruments for perpetual credits, operation and maintenance requirements, and associated financial assurance requirements. Financial assurance requirements may include but not be limited to letters of credit, escrows, surety bonds, insurance, and, where the credits are used or generated by a locality, authority, utility, sanitation district, or permittee operating an MS4 or a point source permitted under Article 4.02 (§ 62.1-44.19:12 et seq.) of Chapter 3.1 of Title 62.1, its existing tax or rate authority;

5. Establish appropriate reporting requirements;

6. Provide for the ability of the Department to inspect or audit for compliance with the requirements of such regulations;

7. Provide that the option to acquire nutrient credits for compliance purposes shall not eliminate any requirement to comply with local water quality requirements;

8. Establish a credit retirement requirement whereby five percent of credits in the Chesapeake Bay Watershed are permanently retired at the time of certification pursuant to this section for the purposes of offsetting growth in unregulated nutrient loads; and

9. Establish such other requirements as the Board deems necessary and appropriate.

C. The Department shall establish and maintain an online Virginia Nutrient Credit Registry of credits as follows:

1. The registry shall include all credits certified pursuant to this article and may include point source nitrogen and point source phosphorus credits generated from point sources covered by the general permit issued pursuant to § 62.1-44.19:14 or nutrient credits certified by the State Water Control Board and the Department of Environmental Quality pursuant to § 62.1-44.19:20 at the option of the owner. No other credits shall be valid for compliance purposes.

2. Registration of credits on the registry shall not preclude or restrict the right of the owner of such credits from transferring the credits on such commercial terms as may be established by and between the owner and the regulated or unregulated party acquiring the credits.

3. The Department shall establish procedures for the listing and tracking of credits on the registry, including but not limited to (i) notification of the availability of new nutrient credits to the locality where the credit generating practice is implemented at least five business days prior to listing on the registry to provide the locality an opportunity to acquire such credits at fair market value for compliance purposes and (ii) notification that the listing of credits on the registry does not constitute a representation by the Board or the owner that the credits will satisfy the specific regulatory requirements applicable to the prospective user's intended use and that the prospective user is encouraged to contact the Board for technical assistance to identify limitations, if any, applicable to the intended use.

4. The registry shall be publicly accessible without charge.

D. The owner or operator of a credit generating facility that fails to comply with the provisions of this section shall be subject to the enforcement and penalty provisions of § 10.1-603.15:4.

§ 10.1-603.15:3. Nutrient credit use by regulated entities.

A. An MS4 permittee may acquire, use, and transfer nutrient credits for purposes of compliance with any waste load allocations established as effluent limitations in an MS4 permit issued pursuant to § 10.1-603.2:1. Such compliance may be granted by the Department following review and approval of a compliance plan submitted by the permittee that includes the use of nutrient credits. The permittee may use such credits for compliance purposes only if (i) the credits, whether annual, term, or perpetual, are generated and applied for purposes of compliance for the same calendar year; (ii) the credits are

acquired no later than a date following the calendar year in which the credits are applied as specified by the Department consistent with the permittee's Virginia Stormwater Management Program (VSMP) permit annual report deadline under such permit; (iii) the credits are generated in the same locality or tributary, except that permittees in the Eastern Coastal Basin may also acquire credits from the Potomac and Rappahannock tributaries; and (iv) the credits either are point source nitrogen or point source phosphorus credits generated by point sources covered by the general permit issued pursuant to § 62.1-44.19:14, or are certified pursuant to § 10.1-603.15:1 or 62.1-44.19:20. An MS4 permittee may enter into an agreement with one or more other MS4 permittees within the same locality or within the same or adjacent eight-digit hydrologic unit code to collectively meet the sum of any waste load allocations in their permits. Such permittees shall submit to the Department for approval a compliance plan to achieve their aggregate permit waste load allocations.

B. Those applicants required to comply with water quality requirements for land disturbing activities operating under a General VSMP Permit for Discharges of Stormwater from Construction Activities or a Construction Individual Permit may acquire and use perpetual nutrient credits certified and registered on the Virginia Nutrient Credit Registry in accordance with § 10.1-603.8:1.

C. Confined animal feeding operations issued permits pursuant to the State Water Control Law (§ 62.1-44.2 et seq.) may acquire, use and transfer credits for compliance for a portion of any waste load allocations contained in the provisions of a VPDES permit. Such method of compliance may be approved by the State Water Control Board following review of a compliance plan submitted by the permittee that includes the use of nutrient credits.

D. Facilities registered under the Industrial Stormwater General Permit issued pursuant to the State Water Control Law (§ 62.1-44.2 et seq.), may acquire, use, and transfer credits for compliance with any waste load allocations established as effluent limitations in a Virginia Pollutant Discharge Elimination System (VPDES) permit. Such method of compliance may be approved by the State Water Control Board following review of a compliance plan submitted by the permittee that includes the use of nutrient credits.

E. Public notice of each compliance plan submitted for approval pursuant to this section shall be given by the Department or by the State Water Control Board, as applicable.

F. This section shall not be construed to limit or otherwise affect the authority of the Soil and Water Conservation Board or the State Water Control Board, as applicable, to establish and enforce more stringent water quality-based effluent limitations for total nitrogen or total phosphorus in permits where those limitations are necessary to protect local water quality. The exchange or acquisition of credits pursuant to this article shall not affect any requirement to comply with such local water quality-based limitations.

§ 10.1-603.15:4. Enforcement and penalties.

A. Transfer of nutrient credits by an operator of a nutrient credit generating facility may be suspended by the Department until such time as the operator comes into compliance with this article and attendant regulations.

B. Operators of a nutrient credit generating facility found in violation of any requirement of this article or attendant regulations shall be subject to a civil penalty. The civil penalty for any one violation shall not be more than \$10,000.

§ 10.1-603.15:5. Appeals.

Any person applying to establish a nutrient credit generating facility or an operator of a nutrient credit generating facility aggrieved by any action of the Department taken in accordance with this section, or by inaction of the Department, shall have the right to review in accordance with the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

§ 62.1-44.19:13. Definitions.

As used in this article, unless the context requires a different meaning:

"Annual mass load of total nitrogen" (expressed in pounds per year) means the daily total nitrogen concentration (expressed as mg/L to the nearest 0.01 mg/L) multiplied by the flow volume of effluent discharged during the 24-hour period (expressed as MGD to the nearest 0.01 MGD), multiplied by 8.34 and rounded to the nearest whole number to convert to pounds per day (lbs/day) units, then totaled for the calendar month to convert to pounds per month (lbs/mo) units, and then totaled for the calendar year to convert to pounds per year (lbs/yr) units.

"Annual mass load of total phosphorus" (expressed in pounds per year) means the daily total phosphorus concentration (expressed as mg/L to the nearest 0.01mg/L) multiplied by the flow volume of effluent discharged during the 24-hour period (expressed as MGD to the nearest 0.01 MGD) multiplied by 8.34 and rounded to the nearest whole number to convert to pounds per day (lbs/day) units, then totaled for the calendar month to convert to pounds per month (lbs/mo) units, and then totaled for the calendar year to convert to pounds per year (lbs/yr) units.

"Association" means the Virginia Nutrient Credit Exchange Association authorized by this article.

306 "Attenuation" means the rate at which nutrients are reduced through natural processes during  
307 transport in water.

308 "Biological nutrient removal technology" means (i) technology that will achieve an annual average  
309 total nitrogen effluent concentration of eight milligrams per liter and an annual average total phosphorus  
310 effluent concentration of one milligram per liter, or (ii) equivalent reductions in loads of total nitrogen  
311 and total phosphorus through the recycle or reuse of wastewater as determined by the Department.

312 "Delivered total nitrogen load" means the discharged mass load of total nitrogen from a point source  
313 that is adjusted by the delivery factor for that point source.

314 "Delivered total phosphorus load" means the discharged mass load of total phosphorus from a point  
315 source that is adjusted by the delivery factor for that point source.

316 "Delivery factor" means an estimate of the number of pounds of total nitrogen or total phosphorus  
317 delivered to tidal waters for every pound discharged from a permitted facility, as determined by the  
318 specific geographic location of the permitted facility, to account for attenuation that occurs during  
319 riverine transport between the permitted facility and tidal waters. Delivery factors shall be calculated  
320 using the Chesapeake Bay Program watershed model.

321 "Department" means the Department of Environmental Quality.

322 "Equivalent load" means 2,300 pounds per year of total nitrogen and 300 pounds per year of total  
323 phosphorus at a flow volume of 40,000 gallons per day; 5,700 pounds per year of total nitrogen and 760  
324 pounds per year of total phosphorus at a flow volume of 100,000 gallons per day; and 28,500 pounds  
325 per year of total nitrogen and 3,800 pounds per year of total phosphorus at a flow volume of 500,000  
326 gallons per day.

327 "Facility" means a point source discharging or proposing to discharge total nitrogen or total  
328 phosphorus to the Chesapeake Bay or its tributaries. This term does not include confined animal feeding  
329 operations, discharges of stormwater, return flows from irrigated agriculture, or vessels.

330 "General permit" means the general permit authorized by this article.

331 "Permitted facility" means a facility authorized by the general permit to discharge total nitrogen or  
332 total phosphorus. For the sole purpose of generating point source nitrogen credits or point source  
333 phosphorus credits, "permitted facility" shall also mean the Blue Plains wastewater treatment facility  
334 operated by the District of Columbia Water and Sewer Authority.

335 "Permittee" means a person authorized by the general permit to discharge total nitrogen or total  
336 phosphorus.

337 "Point source nitrogen credit" means the difference between (i) the waste load allocation for a  
338 permitted facility specified as an annual mass load of total nitrogen, and (ii) the monitored annual mass  
339 load of total nitrogen discharged by that facility, where clause (ii) is less than clause (i), and where the  
340 difference is adjusted by the applicable delivery factor and expressed as pounds per year of delivered  
341 total nitrogen load.

342 "Point source phosphorus credit" means the difference between (i) the waste load allocation for a  
343 permitted facility specified as an annual mass load of total phosphorus, and (ii) the monitored annual  
344 mass load of total phosphorus discharged by that facility, where clause (ii) is less than clause (i), and  
345 where the difference is adjusted by the applicable delivery factor and expressed as pounds per year of  
346 delivered total phosphorus load.

347 "State-of-the-art nutrient removal technology" means (i) technology that will achieve an annual  
348 average total nitrogen effluent concentration of three milligrams per liter and an annual average total  
349 phosphorus effluent concentration of 0.3 milligrams per liter, or (ii) equivalent load reductions in total  
350 nitrogen and total phosphorus through recycle or reuse of wastewater as determined by the Department.

351 "Tributaries" means those river basins for which separate tributary strategies were prepared pursuant  
352 to § 2.2-218 and includes the Potomac, Rappahannock, York, and James River Basins, and the Eastern  
353 Coastal Basin, which encompasses the creeks and rivers of the Eastern Shore of Virginia that are west  
354 of Route 13 and drain into the Chesapeake Bay.

355 "Waste load allocation" means (i) the water quality-based annual mass load of total nitrogen or  
356 annual mass load of total phosphorus allocated to individual facilities pursuant to the Water Quality  
357 Management Planning Regulation (9 VAC 25-720) or its successor, *or permitted capacity in the case of*  
358 *nonsignificant dischargers*; (ii) the water quality-based annual mass load of total nitrogen or annual  
359 mass load of total phosphorus acquired pursuant to § 62.1-44.19:15 for new or expanded facilities;; or  
360 (iii) applicable total nitrogen or total phosphorus *waste load allocations under the Chesapeake Bay* total  
361 maximum daily loads (*TMDLs*) to restore or protect the water quality and beneficial uses of the  
362 Chesapeake Bay or its tidal tributaries.

363 § 62.1-44.19:15. New or expanded facilities.

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

366 1. An owner or operator of a facility authorized by a Virginia Pollutant Discharge Elimination  
367 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 ~~nonpoint source load allocations~~ *through the use of best management practices acquired through a public or private entity acting on behalf of the land owner credits certified by the Board pursuant to § 62.1-44.19:20 or certified by the Soil and Water Conservation Board pursuant to § 10.1-603.15:2.* Such best management practices shall achieve reductions beyond those already required by or funded under federal or state law, or the Virginia ~~tributaries strategies plans~~ *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 facility's individual Virginia Pollutant Discharge Elimination System permit;

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

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

2. *Such allocations or credits shall be provided for a minimum period of five years with each registration under the general permit. This subdivision shall not preclude the Board from adopting longer-term or permanent allocation requirements by regulation.*

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

3. 4. Notwithstanding the priority provisions in subdivision 2, the Board may grant a waste load allocation in accordance with subdivision 1 d to an owner or operator of a facility authorized by a Virginia Pollution Abatement permit to land apply domestic sewage if (i) the Virginia Pollution Abatement permit was issued before July 1, 2005; (ii) the waste load allocation does not exceed such facility's permitted design capacity as of July 1, 2005; (iii) the waste treated by the existing facility is going to be treated and discharged pursuant to a Virginia Pollutant Discharge Elimination System permit for a new discharge; and (iv) the owner or operator installs state-of-the-art nutrient removal technology at such facility. Such facilities cannot generate credits or waste load allocations, based upon the removal of land application sites, that can be acquired by other permitted facilities to meet the requirements of this article.

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

D. The acquisition of nutrient allocations; ~~or credits; or offsets~~ from animal waste-to-energy or animal waste reduction facilities, or the acquisition of such nutrient allocations; ~~or credits; or offsets~~ from entities acting on behalf of such facilities ~~pursuant to subdivision B 1~~, shall be considered point source allocations; ~~or credits; or offsets~~ for all nutrient trading purposes and shall not be subject to a ~~two-for-one~~ *any otherwise applicable nonpoint source* trading ratio if the best management practice being used to generate such nutrient allocations; ~~or credits; or offsets~~ is a point source nutrient removal technology. Point source nutrient removal technology shall include animal waste gasification in which lab analysis of the animal waste reveals the concentration of nutrients in the animal waste being fed into the gasifier, and the fate of the nutrients during the animal waste gasification process, is known and documented using studies such as air emissions tests and ash analyses.

§ 62.1-44.19:18. Nutrient allocation compliance and reporting.

A. Each permitted facility shall be in compliance with its individual waste load allocations if: (i) its annual mass load is less than the applicable waste load allocation assigned to the facility in the general permit; (ii) the permitted facility acquires sufficient point source nitrogen or phosphorus credits in accordance with subdivision A 1; or (iii) in the event it is unable to meet the individual waste load allocation pursuant to clauses (i) or (ii), the permitted facility acquires sufficient nitrogen or phosphorus credits through payments made in accordance with subdivision A 2; provided, however, that the acquisition of nitrogen or phosphorus credits pursuant to this section shall not alter or otherwise affect the individual waste load allocations for each permitted facility.

1. A permittee may acquire point source nitrogen or phosphorus credits from one or more permitted facilities only if (i) the credits are generated and applied to a compliance obligation in the same calendar year, (ii) the credits are generated by one or more permitted facilities in the same tributary, except that permitted facilities in the Eastern Shore basin may also acquire credits from permitted facilities in the Potomac and Rappahannock tributaries, (iii) the credits are acquired no later than June 1 immediately following the calendar year in which the credits are applied, and (iv) no later than June 1 immediately following the calendar year in which the credits are applied, the permittee certifies on a form supplied by the Department that he has acquired sufficient credits to satisfy his compliance obligations.

2. A permittee may acquire nitrogen or phosphorus credits through payments made into the Nutrient Offset Fund established in § 10.1-2128.2 only if, no later than June 1 immediately following the calendar year in which the credits are applied, the permittee certifies on a form supplied by the Department that he has diligently sought, but has been unable to acquire, sufficient credits to satisfy his compliance obligations through the acquisition of point source nitrogen or phosphorus credits with other permitted facilities in the same tributary, and that he has acquired sufficient credits to satisfy his compliance obligations through one or more payments made in accordance with the terms of the general permit.

B. Until such time as the Director finds that no credits are reasonably available in an individual tributary, the general permit shall provide for the acquisition of nitrogen and phosphorus credits through payments into the Nutrient Offset Fund in accordance with subdivision A 2. Such payments shall be promptly applied to achieve equivalent point or nonpoint source reductions in the same tributary beyond those reductions already required by or funded under federal or state law, or the Virginia tributaries



strategies plans *Chesapeake Bay TMDL Watershed Implementation Plan*. The general permit shall base the cost of each nitrogen or phosphorus credit on the average cost of reducing one pound of nitrogen or phosphorus from Virginia publicly owned wastewater treatment facilities for each credit acquired. Upon each reissuance of the general permit, the Board may adjust the cost of each nitrogen and phosphorus credit based on (i) the current average cost of reducing a pound of nitrogen or phosphorus from Virginia publicly owned wastewater treatment facilities for each credit acquired and (ii) any additional incentives reasonably necessary to ensure that there is timely and continuing progress toward attaining and maintaining each tributary's combined waste load allocation.

C. On or before February 1, annually, each permittee shall ~~either individually or through the Association~~ file a *discharge monitoring* report with the Department. ~~The report shall identify (i) identifying the annual mass load of total nitrogen and the annual mass load of total phosphorus discharged by each permitted facility during the previous calendar year; (ii) the delivered total nitrogen load and delivered total phosphorus load discharged by each permitted facility during the previous year; and (iii) the number of total nitrogen and total phosphorus credits for the previous calendar year to be purchased or sold by the permittee.~~ The report shall contain the certification required by federal and state law and be signed by each permittee for each of the permittee's facilities covered by the general permit.

D. On or before April 1, annually, the Department shall prepare a report containing the annual mass load of total nitrogen and annual mass load of total phosphorus discharged by each permitted facility, the number of point source nitrogen and phosphorus credits for the previous calendar year ~~for sale or purchase~~ generated or required by each such facility, and to the extent there are insufficient point source credits available for exchange to provide for full compliance by every permittee, the number of credits to be purchased pursuant to this section. Upon completion of the report, the Department shall promptly publish notice of the report and make the report available to any person requesting it.

E. On or before July 1, annually, the Department shall publish notice of all nitrogen and phosphorus credit exchanges and purchases for the previous calendar year and make all documents relating to the exchanges and purchases available to any person requesting them.

*§ 62.1-44.19:20. Nutrient credit certification.*

A. *The Board may adopt regulations for the purpose of establishing procedures for the certification of nutrient credits other than (i) point source nitrogen or point source phosphorus credits generated by point sources covered by the general permit issued pursuant to § 62.1-44.19:14 and (ii) nutrient credits certified by the Soil and Water Conservation Board and the Department of Conservation and Recreation pursuant to Article 1.1:1 (§ 10.1-603.15:1 et seq.) of Chapter 6 of Title 10.1. During the promulgation of the regulations, the Board shall consult with the Department of Conservation and Recreation to avoid duplication and to promote consistency where appropriate.*

B. *Regulations adopted pursuant to this section shall:*

1. *Establish procedures for the certification and registration of credits, including:*

a. *Certifying credits that may be generated from effective nutrient controls or removal practices, including activities associated with the types of facilities or practices historically regulated by the Board, such as water withdrawal and treatment and wastewater collection, treatment, and beneficial reuse; and*

b. *Establishing a timely and efficient certification process including application requirements, a reasonable application fee schedule not to exceed \$10,000 per application, and review and approval procedures;*

2. *Establish credit calculation procedures for proposed credit-generating practices, including the determination of:*

a. *Baselines in accordance with any applicable provisions of the Virginia Chesapeake Bay TMDL Watershed Implementation Plan or other approved TMDLs; and*

b. *Credit quantities using the best available scientific and technical information;*

3. *Provide certification of credits on an appropriate temporal basis, such as annual, term of years, or perpetual, depending on the nature of the credit-generating practice. A credit shall be certified for a term of no less than 12 months;*

4. *Establish operation and maintenance requirements and associated financial assurance requirements to include alternatives such as letters of credit, escrows, surety bonds, insurance, and where the credits are used or generated by a locality, authority, utility, sanitation district, or permittee operating an MS4 or a point source permitted under this article, its existing tax or rate authority;*

5. *Establish appropriate reporting requirements;*

6. *Provide for the ability of the Department to inspect or audit for compliance with the requirements of such regulations;*

7. *Provide that the option to acquire nutrient credits for compliance purposes shall not eliminate any requirement to comply with local water quality requirements; and*

552 8. *Establish such other requirements as the Board deems necessary and appropriate.*

553 C. *Prior to the adoption of such regulations, the Board shall certify credits that may be generated*  
554 *from effective nutrient controls or removal practices, including activities associated with the types of*  
555 *facilities or practices historically regulated by the Board, such as water withdrawal and treatment and*  
556 *wastewater collection, treatment, and beneficial reuse, on a case-by-case basis using the best available*  
557 *scientific and technical information.*

558 2. That nutrient credits from stormwater nonpoint nutrient credit generating facilities in receipt  
559 of a Nonpoint Nutrient Offset Authorization for Transfer letter from the Department of  
560 Environmental Quality prior to July 1, 2012, shall be considered certified nutrient credits and  
561 shall not be subject to further certification requirements or to the credit retirement requirement  
562 under subdivision B 8 of § 10.1-603.15:2 as added by this act. However, such facilities shall be  
563 subject to the other provisions of Article 1.1:1 (§ 10.1-603.15:1 et seq.) as added by this act,  
564 including registration, inspection, reporting, and enforcement.

565 3. That by July 1, 2013, the State Water Control Board shall reevaluate its trading ratio for  
566 nutrient allocation acquisition pursuant to subdivision B 1 b of § 62.1-44.19:15 of the Code of  
567 Virginia, giving full consideration to similar trading ratios established by § 10.1-603.8:1 of the  
568 Code of Virginia, § 10.1-603.15:2 as added by this act, and trading programs in other Chesapeake  
569 Bay watershed states. The Board shall establish an advisory group of interested stakeholders for  
570 the purpose of receiving recommendations during the reevaluation regarding an appropriate ratio.  
571 If warranted based on the outcome of the reevaluation, the Board shall adopt a revised trading  
572 ratio for purposes of subdivision B 1 b of § 62.1-44.19:15 as soon as practicable following the  
573 completion of the reevaluation.

574 4. That until the effective date of the regulations to be adopted pursuant to § 10.1-603.15:2 as  
575 added by this act, the State Water Control Board shall continue to certify nutrient credits from  
576 the use of nonpoint source best management practices pursuant to subdivision B 1 b of  
577 § 62.1-44.19:15 of the Code of Virginia.