



**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION**

Public Hearing – February 27, 2015
Environment Committee

Testimony Submitted and Presented by Commissioner Robert J. Klee

Raised Senate Bill No. 940 – AAC The Sustainability of the Nitrogen Credit Exchange Program

Thank you for the opportunity to present testimony regarding **Raised Senate Bill No. 940 – AAC The Sustainability of the Nitrogen Credit Exchange Program**. The Department of Energy and Environmental Protection (DEEP) welcomes the opportunity to offer the following testimony.

We appreciate the Committee's willingness to raise this bill at the request of the DEEP. This proposal, which we strongly support, would make revisions to DEEP's Credit Exchange Trading program. These revisions will benefit the regulated community by continuing to allow municipally owned wastewater treatment facilities to trade nitrogen credits for permit compliance rather than requiring them to spend millions in upgrades, and will aid the State by reducing required financial burdens through changes in the operation of the program.

The Nitrogen Trading Program¹ has been a successful approach for cost-effectively meeting the 2014 Total Maximum Daily Load (TMDL) requirement for reducing nitrogen in Long Island Sound.

Over \$450 million in grants and loans from the Clean Water Fund for municipal sewage treatment plant nitrogen removal upgrade projects will be spent through 2018. It is estimated that \$300 - 400 million have been saved by not requiring all municipalities to upgrade.

The Nitrogen Credit Exchange program's success has produced a situation where significantly more credits are expected to be produced than are now needed to be purchased. Projections for the next few years show the subsidization by the State of Connecticut of the program growing to over \$5 million per year by 2018 if the program is not modified. This level of continued subsidization is not sustainable.

In their 2014 annual report to DEEP², the Nitrogen Credit Advisory Board recommended continuing the nitrogen trading program while moving it to a self-sufficient model where the buyer's payments are shared proportionally by the sellers.

For these reasons, DEEP, on behalf of the Nitrogen Credit Advisory Board, is proposing to make changes in the statutory framework to move the nitrogen trading program to a self-sufficient program. Raised Senate Bill No. 940 Section 1, subsections b. 8. and c. 3. address those changes.

¹ http://www.ct.gov/deep/cwp/view.asp?a=2719&q=325572&deepNav_GID=1635

² http://www.ct.gov/deep/lib/deep/water/municipal_wastewater/nitrogen_report_2013.pdf

Municipalities that have been purchasing credits would see no change to the current practice of setting the cost of a credit. Some municipalities which have implemented denitrification have been receiving payments annually for excess credits which help support their wastewater operations. This is in addition to enhanced Clean Water Fund grants for construction of their nitrogen removal systems. Under a self-sufficiency approach, sellers would receive smaller payments since fewer credits are needed to meet the TMDL as more facilities are upgraded.

Municipalities would continue to receive full payments for nitrogen credits for the entire 2015 trading year (paid in August 2016)³. The subsequent trading year would transition into the new self-sufficient trading program approach. DEEP has been keeping all wastewater facilities and municipalities apprised of this proposed program change so that communities can make appropriate budgetary adjustments.

In summary, DEEP strongly supports **Raised Senate Bill No. 940 – AAC The Sustainability of the Nitrogen Credit Exchange Program** and looks forward to taking this step of self-sufficiency thereby leading to more efficient government that delivers superior service to all regulated entities in the state, including municipalities and the state itself.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Robert LaFrance, DEEP's Director of Governmental Affairs, at 860.424.3401 or Robert.LaFrance@ct.gov or, Elizabeth McAuliffe, DEEP Legislative Liaison, at 860.424.3458 or Elizabeth.McAuliffe@ct.gov.

³ http://www.ct.gov/deep/lib/deep/water/municipal_wastewater/projected_trading.pdf