

News Release

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EPRI Announces Plan to Initiate Water Quality Pilot Trades

Project to Benefit Ohio River Basin States, Farmers, and Electric Power Industry

PALO ALTO, Calif. – (August 9, 2012) -- The Electric Power Research Institute (EPRI) today announced the signing of a plan among several states that will launch interstate water quality pilot trades in the Ohio River Basin. Water quality trading is a market-based approach that enables facilities facing high pollution control costs to buy reduction credits from entities with lower costs such as farmers who implement conservation practices on their land. The goal is to achieve water quality improvements more efficiently.

At a ceremony in Cincinnati, representatives from Indiana, Kentucky and Ohio signed the plan that will serve as the basis for these states to implement pilot trades beginning in 2012 through 2015.

While some states have adopted trading policies or rules to govern trading within their jurisdictions, this is the first interstate trading program where several states will operate under the same rules and a water quality credit generated in one state can be applied in another. The plan signed today puts into place a groundbreaking framework that will allow Indiana, Kentucky and Ohio to accomplish this.

“The states in the Ohio River Basin, working through the Ohio River Valley Water Sanitation Commission (ORSANCO), have a proud record of collaboration to improve water quality in the Ohio River and its interstate tributaries,” said Peter Tennant, executive director of ORSANCO. “The initiation of a water quality trading program is the latest chapter in the effort to find innovative and cost-effective approaches to environmental improvement and success here could serve as a model for interstate trading elsewhere.”

EPRI launched its Ohio River Basin water quality trading project in 2009 as a first-of-its-kind interstate multi-credit trading program. It represents a comprehensive, scientifically-based approach to designing and developing

markets for nitrogen, phosphorus and potentially greenhouse gas reduction credits.

The project supports the adoption of agricultural conservation practices to reduce nutrient loads in Ohio River Basin waters and improve local and regional water quality.

Pilot trades are expected to include at least three power plants or other participants and up to 30 farms implementing agricultural conservation best management practices on up to 20,000 acres. Nutrient reductions are expected to total approximately 45,000 pounds of nitrogen and 15,000 pounds of phosphorus annually.

“This trading plan is a win-win for utility companies, agriculture, and ultimately, consumers and the environment,” said American Farmland Trust President Jon Scholl. “For farmers, water quality trading creates opportunities to work within their communities to implement conservation practices that improve water quality and protect and enhance valuable farmland soils.”

The pilot project is already the world’s largest water quality trading program operating under a common trading plan. At full-scale, the project could include up to eight states in the Ohio River Basin and would potentially create credit markets for 46 power plants, thousands of wastewater facilities and other industries, and approximately 230,000 farmers.

“Trading could provide point sources with a cost-effective option for meeting nutrient reduction targets. It could also have added benefits of improving water quality, restoring wildlife habitats, reducing greenhouse gas emissions and top-soil losses, improving soil health on farms and providing financial support for farmers and local counties,” said Jessica Fox, senior scientist for EPRI’s Water and Ecosystems Program.

EPRI leads the research effort with support from American Farmland Trust; Hunton & Williams LLP; Kieser & Associates, LLC; and the University of California at Santa Barbara. The pilot project is also receiving regional support from the Ohio Farm Bureau Federation and the Ohio River Valley Water Sanitation Commission; federal support from the U.S Environmental Protection Agency and the U.S. Department of Agriculture Natural Resources Conservation Service; and industry support from American Electric Power, Duke Energy and Hoosier Energy.

Additional program information can be found at www.epri.com/ohiorivertrading.

About EPRI

The Electric Power Research Institute, Inc. (EPRI, www.epri.com) conducts research and development relating to the generation, delivery and use of

electricity for the benefit of the public. An independent, nonprofit organization, EPRI brings together its scientists and engineers as well as experts from academia and industry to help address challenges in electricity, including reliability, efficiency, health, safety and the environment. EPRI's members represent more than 90 percent of the electricity generated and delivered in the United States, and international participation extends to 40 countries. EPRI's principal offices and laboratories are located in Palo Alto, Calif.; Charlotte, N.C.; Knoxville, Tenn.; and Lenox, Mass.

