



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4
ATLANTA FEDERAL CENTER
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ATLANTA, GEORGIA 30303-8960

APR 20 2012

Ms. Jessica Fox
Senior Scientist
Electric Power Research Institute
3420 Hillview Avenue
Palo Alto, California 94304

Dear Ms. Fox:

Thank you for your January 30, 2012, email regarding the Ohio River Basin Water Quality Trading Project. We understand that you are in the process of finalizing a draft program framework and ready to begin implementing pilot projects in the near future, with Kentucky being a likely participant in the pilot study.

With over 460,000 miles of rivers and approximately 40 percent of the coastline along the continental United States, the U.S. Environmental Protection Agency Region 4 has long been committed to protecting our water resources. Region 4 has been actively involved in a multi-agency partnership focused on protecting, maintaining and restoring the health of the Gulf of Mexico. Given that the Ohio River contributes over one-third of the Mississippi River's total flow and drains parts of Region 4 states, we have been following the progress of the Electric Power Research Institute's (EPRI's) efforts to develop a nutrient trading program for the Ohio River Basin.

Excessive loading of nitrogen and phosphorus to our nation's waterways is a significant problem that must be addressed through multiple programs. Region 4 is actively supporting our states' efforts to develop nutrient reduction strategies and to adopt water quality criteria for nitrogen and phosphorus. We also oversee state permitting programs that limit nutrient discharges from point sources, provide state funding for implementation of nonpoint source pollution controls and provide State Revolving Fund monies for wastewater infrastructure projects. In addition, Region 4 works with states to identify waters impaired by nutrients and to develop Total Maximum Daily Loads for them. The EPA's Office of Water issued a memorandum on March 16, 2011, that outlined its on-going partnership with states and other agencies and discussed the key elements of a framework for managing nitrogen and phosphorus pollution. While the memo stressed the importance of nutrient criteria, it also recognized the need for innovation and flexibility if states are to achieve nutrient reductions while they continue to work on development of these water quality standards.

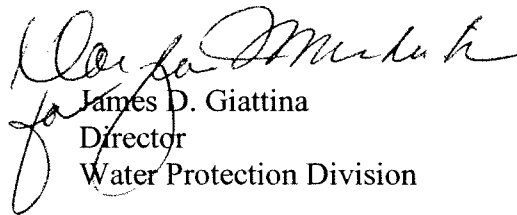
Region 4 is committed to exploring the use of water quality trading as a tool for attaining water quality standards and achieving watershed restoration goals in a cost-effective manner. To that end, we encourage and support your efforts to design an interstate trading program for nitrogen and phosphorus in the Ohio River Basin. The project has already established an impressive collaboration between various federal and state agencies and diverse stakeholders in the basin. We believe that the pilot trading project has considerable potential for identifying the challenges and benefits of an interstate trading program, as well as providing valuable information on the workability of different program elements,

including how to calculate and track generated credits, how best to invite public participation and how to verify that meaningful progress in nutrient reductions has been made.

We do not underestimate the complexity of a working interstate water quality trading program. Of particular importance is the issue of state equity in the pollutant reductions and credits. I am confident that EPRI, states, the regulated community and the relevant stakeholders will be sensitive to the equity issues as the pilot is further developed. We are committed to working with our colleagues in Region 3 and Region 5 to ensure the success of the pilot.

Region 4 would like to be involved in your efforts to implement pilot trading and assess the effectiveness of the program framework. If you have further questions or identify opportunities for further collaboration with your project, please contact Ms. Elizabeth Belk of my staff at (404) 562-9377.

Sincerely,



James D. Giattina
Director
Water Protection Division

cc: Mr. Jon Capacasa
Director, Water Protection Division
U.S. EPA Region 3

Ms. Tinka Hyde
Director, Water Division
U.S. EPA Region 5