

OHIO RIVER VALLEY WATER SANITATION COMMISSION

an interstate agency representing: Illinois • Indiana • Kentucky • New York • Ohio • Pennsylvania • Virginia • West Virginia

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World's Largest Water Quality Trading Program in Ohio River Basin

Cincinnati, OH – (March 11, 2014) The Ohio River Valley Water Sanitation Commission (ORSANCO) collaborated with Electric Power Research Institute (EPRI) to bring the world's largest water quality trading program to the Ohio River Basin. This program, the Ohio River Basin Water Quality Trading Project, is an innovative approach to achieve water quality goals more efficiently. ORSANCO has been a project partner with EPRI on this project since 2009.

The Electric Power Research Institute (EPRI) today transacted the first interstate credits for water nutrients in the United States, officially launching water quality pilot trades in the Ohio River Basin. The goal is to test water quality improvement strategies in the world's largest and only interstate water quality trading program.

Water quality trading is a market-based approach that could enable facilities to meet permit limits using nutrient reduction credits from farmers who implement conservation practices. Many parties, such as industrial sources, farmers, and the general public, contribute to excessive nutrients which can lead to serious ecological problems. Today's transactions will produce cleaner watersheds, advance sustainability practices, and test more cost-effective regulatory compliance options.

Duke Energy, Hoosier Energy, and American Electric Power are the first buyers in the program. Collectively, the companies purchased 9000 stewardship credits, agreeing to retire the associated nutrient and ecosystem benefits, rather than apply them towards a permit requirement. The buyers can use the credits to meet corporate sustainability goals and may also be considered for future flexible permit compliance schedules by the participating states.

"These early credit transactions will immediately improve watershed and farm health, and will serve as a foundation for ongoing discussions on the potential for water quality trading to meet regulatory compliance obligations in the future," said Jessica Fox, an EPRI technical executive and director of the water quality trading program.

Because the affected watersheds cross state lines, working on an interstate basis is essential. In August 2012, Indiana, Kentucky and Ohio signed a first-of-its-kind interstate trading plan where the states can operate under the same rules so that a water quality credit generated in one state can be applied in another. This framework set the stage for today's pilot trades. At full-scale, the project could include up to eight states in the Ohio River Basin and potentially create credit markets for 46 power plants, thousands of wastewater facilities and other industries, and approximately 230,000 farmers.

Stewardship credit trades will continue through 2014 and 2015 to test critical programmatic features such as an

online credit registry and live trading auction. Representatives from ORSANCO, the Ohio River Basin states, the U.S. Department of Agriculture, Natural Resources Conservation Service, U.S. Environmental Protection Agency, credit buyers and other stakeholders witnessed the first credit sales in the program.

EPRI has been conducting research on environmental markets for more than a decade, and initiated its Ohio River Basin water quality trading project in 2009 to test the viability of market-based approaches for achieving water quality goals for nutrients such as nitrogen and phosphorus. The project has built one of the most comprehensive, scientifically-based approaches for designing and developing markets for nutrient reduction credits. It supports the adoption of agricultural conservation practices to reduce nutrient loads in Ohio River Basin waters and improve regional water quality.

EPRI leads the research effort with support from ORSANCO; American Farmland Trust; Troutman Sander, LLP; Markit Environmental; the University of California at Santa Barbara; the Ohio Farm Bureau Federation; the U.S. Environmental Protection Agency and the U.S. Department of Agriculture Natural Resources Conservation Service; States of Ohio, Indiana, and Kentucky, and their Soil and Water Conservation Districts; stakeholders from multiple advisory committees; and American Electric Power, Duke Energy, Hoosier Energy, Tennessee Valley Authority, and Exelon.

Additional program information can be found at www.wqt.epri.com.

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, affordability, health, safety and the environment. EPRI's members represent approximately 90 percent of the electricity generated and delivered in the United States, and international participation extends to more than 30 countries. EPRI's principal offices and laboratories are located in Palo Alto, CA; Charlotte, NC; Knoxville, TN; and Lenox, MA.

About The Ohio River Water Sanitation Commission

The Ohio River Valley Water Sanitation Commission (ORSANCO), was established on June 30, 1948 to control and abate pollution in the Ohio River Basin. ORSANCO is an interstate commission representing eight states and the federal government. Member states include: Illinois, Indiana, Kentucky, New York, Ohio, Pennsylvania, Virginia, and West Virginia. ORSANCO operates programs to improve water quality in the Ohio River and its tributaries, including: setting waste water discharge standards; performing biological assessments; monitoring for the chemical and physical properties of the waterways; and conducting special surveys and studies.

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