



# ***AEP Perspectives on Ohio River Basin Trading Project***



## **ORSANCO Round Table Discussion June 2012**

**Tim Lohner**  
*American Electric Power*



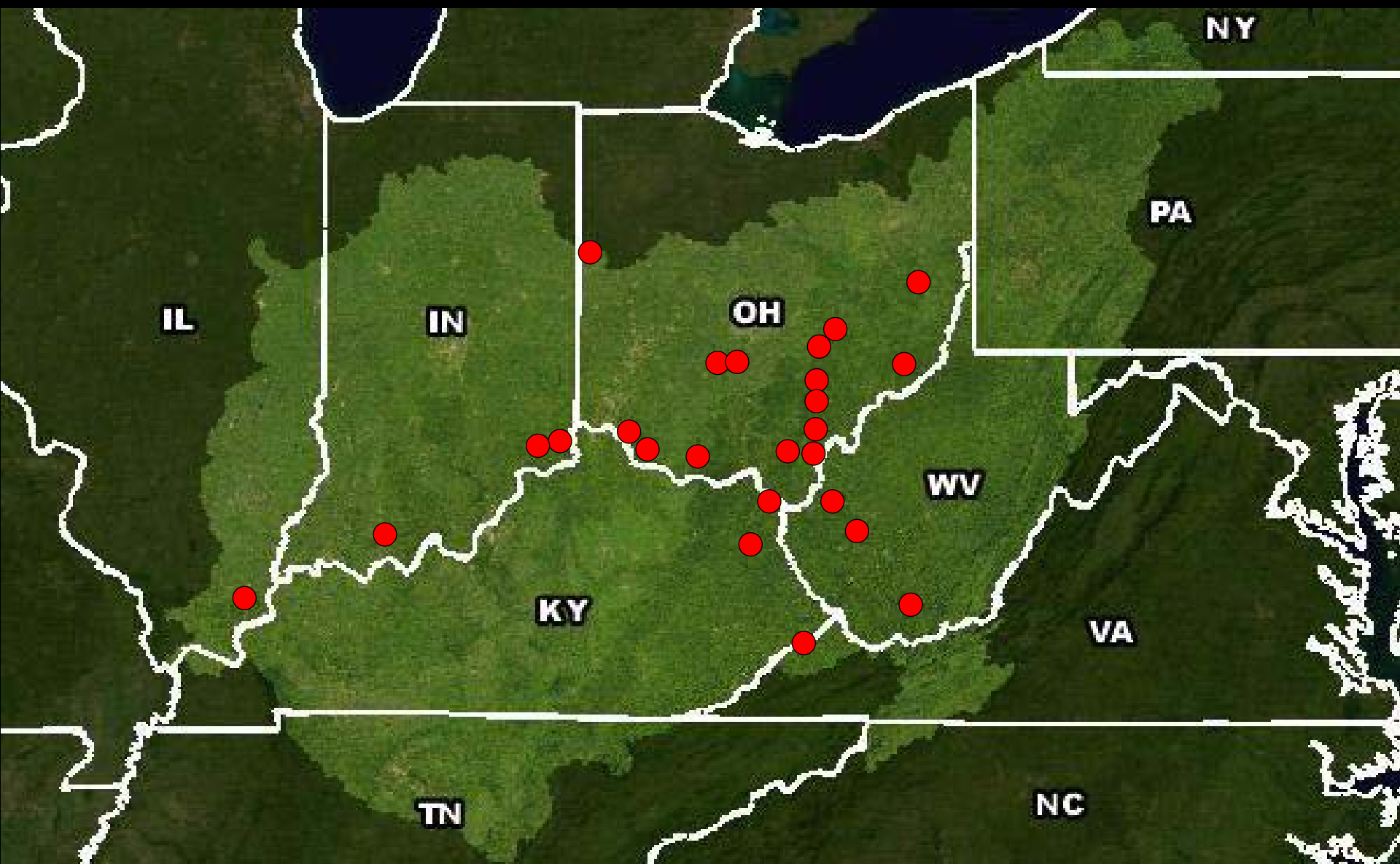
# ***We like it! Why?***

---

## **Presents an opportunity to:**

- Achieve compliance.
- Save money.
- Practice environmental stewardship in the river basin.
- Potentially receive GHG credits.





# *Reasons for Interest*

---

- New nutrient sources are increasing.
- Nutrient limits are becoming more restrictive.
- There are concerns over Ohio River nutrient loading.





# Limited Expensive Treatment Options



# *Compliance Cost Options*

---

| Conventional Costs  | Trading Costs           |
|---|-------------------------|
| \$52 million DFA conversion<br>\$3 to \$7 million DFA O&M | \$100 thousand per year |
| \$15 to \$165 per pound                                   | \$2 to \$8 per pound    |

# *Pilot Trade Benefits*

---

- Future authorization to trade
- First access to credit pool
- Reduced trading ratios
- Extended compliance schedules
- Improved public relations



# ***Additional Benefits to AEP***

---

- Green House Gas credits
- Environmental Stewardship and Sustainability
- Ecosystem Services
- Credit Stacking





# Green House Gas Credits

---

- Nitrous oxide is a powerful GHG.
- One ton of  $\text{N}_2\text{O}$  is equivalent to 296 tons of  $\text{CO}_2$ .



# Credit Stacking

## Not Stacked (Spatially Distinct)

1 acre forest earning  
carbon credits

1 acre forest earning  
endangered species habitat credits



*One property*

**Total Credits = 2**  
**Total Acres Mitigated = 2**

## Stacked (Spatially Overlapped)

1 acre forest earning  
both carbon credits and  
endangered species habitat credits



*One property*

**Total Credits = 2**  
**Total Acres Mitigated = 1**



# ***AEP Goals***

---

- To comply with all nutrient limits in a cost-effective manner.
- Manage regulatory liabilities.
- Confirm watershed improvements.
- Participate in a credit “stacking” program.