EEP / DWQ Nutrient Offset Payment Program
Transitioning to an Actual Cost-Based Pricing Method

ISSUES AND OPTIONS

I. **Identification of Issues to be Discussed**

The stakeholders identified the following issues to be discussed in preparation for the April 8, 2009 meeting.

1. Frequency of adjustment
2. Geographic application
3. Inflation method (adjustment) for future costs
4. Nitrogen and phosphorous on the Tar-Pamlico
5. Floor on the adjustment factor
6. How to address cost of indefinite maintenance
7. Percent cost increase/decrease threshold for triggering adjustment
8. How to evaluate the different types of projects in estimating future costs
9. Options in the event of accumulated credits (example: wiping the slate clean and donating overage to environment)
10. Address the least cost requirement (see hot spots)
11. Accounting for lag time from action to mitigation
12. Factor "hot spots" into geographic determination

II. **Potential Options For Addressing the Issues**

1. **Options for Frequency of Adjustment**
   a. Next Payment
   b. Quarterly
   c. Annually
   d. Greater than annually
   e. Percentage change trigger
   f. Procurement quantity
   g. Combination (change in actual costs)
   h. Based on regulatory change

2. **Options for Geographic Application**
   a. 8 digit cataloging unit (service area)
   b. Basin level
   c. State
   d. Mitigate at the 8-digit but use a larger accountability region
e. Apply basin-level estimates to all variables except land acquisition. For land acquisition, use costs at the CU level.

f. *Go to EMC to change mitigation level to smaller than 8 digit cataloging unit.

g. *Go to EMC to change mitigation options so as to preclude mitigation hot spots and correct current hot spots.

h. *Include a ‘transport factor’ to address regional delivery reduction differences.

i. *Price out different BMP options to enable application in urban areas.

j. *Require BMPs through the permit process.

*Note: Items identified by an asterisk (*) are beyond the stated purpose and scope of the stakeholder process since they require action by EMC and/or legislature.

3. Inflation Adjustment Options
   a. US ACE construction cost index
   b. Composite index (construction, property and services)
   c. Multiple indices (construction, property and services)