TESTIMONY BY:
THE PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

Senate Environmental Resources and Energy Committee
&
Senate Agriculture and Rural Affairs Committee

Informational Hearing
Chesapeake Bay Tributary Strategy

Presented By:
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Harrisburg, Pennsylvania

The Pennsylvania Municipal Authorities Association (PMAA) represents 700 municipal authorities throughout the Commonwealth, providing sewage treatment and water service to over 6 million citizens. We speak to you today on behalf of many of the 166 authority and municipally owned sewage treatment plants that will be impacted by the nutrient reduction requirements included in DEP's Chesapeake Bay Tributary Strategy for Pennsylvania.

I would like to note we have been meeting regularly with DEP since February. These sessions have been informative and productive, yet many questions remain unanswered or yet to be clarified. Just last week we participated in two meetings with DEP and other impacted entities on the overall Strategy and the trading program. The opportunity to continue to engage all stakeholders and find solutions that make us all partners in this effort should continue to take place.

We all recognize that the Chesapeake Bay needs help. Historically, one of our most productive estuaries, the Bay in recent decades has seen a significant deterioration of its aquatic environment from years of pollution, nutrient and sediment accumulation, over-harvesting and loss of habitat. Miles of seagrass beds and wetlands, acting as habitat and buffering areas, have also been lost. The precipitous decline of fish species and blue crabs symbolize this deterioration. The oyster population, however, at 1% of its historic numbers, like the canary in the mine, has become the prime symbol of the bay's worsening health.

Fundamental Question

As we discuss this Strategy, we need to keep a larger public policy question in mind: **"Are we investing billions of public and private dollars in the best manner to provide the greatest environmental benefit to the Bay?"**

Nutrient Contributions & Reduction Costs

In Pennsylvania, DEP released the Chesapeake Bay Tributary Strategy earlier this year. This document identifies contributors, estimated costs and potential actions to address nutrient reduction from Pennsylvania. Attached to our testimony are pie charts and a cost table from the Strategy. The three pie charts (page 15) show the contribution of each source to the total nutrient load (nitrogen, phosphorus and sediment). A large pie chart, developed by PMAA, is based on the costs delineated by DEP on page 29. The cost table (page 119) lists estimated costs to achieve reductions. It depicts potential capital costs to implement the policy at $8.3 billion. Associated debt payment and O&M costs are listed as exceeding $1.3 billion annually.

DEP has sought to equitably reduce nutrients based on relative contributions, however, those same reductions become financially skewed when removal costs are added to the equation. Different numbers have been generated respective to cost per pound of removal for different entities. For example, it is estimated that agricultural practices can remove a pound of nitrogen for about $10, although that number can be as high as $21/lb or as low as $4/lb. Conversely, for a sewage treatment plant to remove a pound of nitrogen would require as much as $90/lb initially, but after equipment is installed and running, potentially as low as $8/lb.

Nutrient reduction at sewage treatment plants will be tied to a 2010 flow number that DEP is assigning to each plant. This number will be critical to the level of treatment required and cost at each plant. To date DEP has not clarified how that number is determined. Additionally, any new sewage treatment plants built in the future will receive a "zero discharge" limit for nutrients (minus credit for septic tanks taken offline). Zero discharge is not technologically feasible, has significant economic development implications, and forces a community into an expensive alternate technology or into a trading program.

Nutrient Trading

DEP has been developing a trading program that may alleviate costs and allow impacted entities to buy and sell nutrient reduction credits. That program will be released as a draft interim policy and be subject to public review and comment. We are concerned that the timeliness and level of detail in this program will not meet the needs of entities that may need to trade now. Some sewage treatment plants have already had nutrient limits placed in their permits this summer. We suggest continuing to make plants monitor and report nutrients, as opposed to placing limits in permits, until such time as DEP has a better idea of the trading credits available and the nutrients discharged from each plant.

Funding

Funding sources for this potential $8 billion in costs are scarce. DEP notes state and federal funds for non-point sources could be up to $75 million/year (based on 2004 figures). Point sources may access $50 million in grants under a one-shot infusion of money from Pennvest recently announced by the Governor. This money, however, is also for statewide CSO projects (combined sewer overflows). If these funds remain available, they represent only a small fraction of the total costs identified in the Strategy. The remainder will come from private citizens through increased taxes, increased sewer rates and other costs added to new houses or food products. The agricultural community, however, does not have an easy way to absorb these costs or pass them on.

By contrast, the state of Maryland funded 44% of the cost of the initial required reductions from 66 impacted sewer plants. Maryland has also initiated a "flush tax" that supports repayment of over $1 billion in revenue bonds to help fund Bay efforts. This will, among other things, pay for up to 100% of the cost for the 66 sewer plants to meet their new requirements and also cover a portion of their ongoing O&M costs. The state of Virginia added $50 million in this year's budget for nutrient reductions at sewer plants and the legislature has committed to find a long term funding source for these Bay-related activities.

Local Government Concerns

I would like to mention the concerns expressed by our fellow local government associations relative to the costs and impact to their constituents. These include efforts they will be required to undertake for storm water management activities expected to cost over $5 billion. It also includes costs for sewage treatment plants the municipality may own and operate (as opposed to an Authority). It also includes the potential impact to residents with on-lot septic systems that may have to install de-nitrification units on their system. This could affect over 288,000 citizens at a cost of $1.5 billion.

Public Input

As a general matter of sound public policy, the Strategy and related costs should generate open public discussion between all parties, including the legislature, DEP and EPA. Very little public debate has occurred to date. This Strategy was released as a document by DEP in a form that did not allow a formal public comment period as a normal regulatory document would require. With the exception of this hearing today, it has not been given a formal public hearing in front of the legislature, **yet the potential total cost of this Strategy to communities and citizens in central PA in the next 5 years is equivalent to 1/3 of the annual state budget.**

Requested Action

We ask that DEP hold implementation of the Strategy until the following occur: a cost/benefit analysis that fully depicts all cost impacts and environmental benefits, pursuit of alternatives and options not previously considered, detailed cost and funding scenarios, general public acceptance, initiation and operation of a viable trading program, enactment of regulatory requirements, and development of an enforcement strategy.

The opportunity to engage all stakeholders and find solutions that make us all partners in this effort should continue to take place to ensure the greatest environmental benefit with the wisest investment of money to achieve our goal – to restore the health of the Bay.