

TO: Environmental Management Commissioners

FROM: Theodore J. Lynch (T.J.)   
Asst. Public Utilities Director  
City of Raleigh

DATE: January 7, 2019

RE: Fiscal Note - Nitrogen Allocation in the Neuse River Basin

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Upon review of the subject fiscal note, I find it is necessary to point out to the Commission that there seems to be a misunderstanding by DWR staff related to available nitrogen allocation for new or expanding facilities. When the original estuary allocations were issued, the nitrogen poundage issued to point source dischargers was based on the permitted flow in each NPDES permit at that time (1997). Fortunately, most facilities were not close to their permitted capacity at the time so there was room to grow before using up their nitrogen allocation.

Between 1997 and 2014, utilities in the basin spent significant dollars (>\$400 Million) to upgrade their treatment processes to nutrient removal processes which has resulted in significant nitrogen reductions in the basin from point source dischargers. As time has passed and significant growth has continued in the Neuse Basin, the low hanging fruit in terms of operational improvements have been completed. It is anticipated that because utilities have gotten all they can out of technology and process improvements, the pool of available allocation will dissipate at a more rapid rate compared to the last ten years as the area continues to grow and wastewater flows continue to increase.

Understanding this issue and having concern for future growth, the City of Raleigh has been proactive, if not aggressive, in seeking to acquire additional nitrogen allocation. To date, the City of Raleigh has added a total of 20,642 pounds of additional nitrogen allocation through a combination of one purchase and the regionalization of seven package plants. At the 75 million gallons per day (MGD) permitted capacity of the Neuse River Resource Recovery Facility, the additional purchased and regionalized allocation account for about 11 days of discharge. Please keep in mind that regionalization is not a true addition of nitrogen given that the additional allocation is associated with the additional flow taken on. The City of Raleigh has continued to reach out to dischargers in the basin including the utilities above Falls Lake who cannot use all their allocated nitrogen because of the Falls Lake Rules. To date, one purchase from South Granville Water and Sewer Authority took place but no other utility has interest in selling their allocation.

In summary, the allocated nitrogen in the Neuse Basin is tied to existing capacity. Facilities that will need to expand in the future will have to acquire new allocation from non-point sources as point sources will not have allocation to spare as any that is unused is being reserved for the future growth of their community or industry. Leases will help to serve varying growth rates but they have no role in meeting the requirements for new or expanding facilities as utilities will not tie up their allocation for long periods of time. There must be a recognition of the financial impact this will have not only on the Neuse Basin but on the State as a whole. The subject fiscal note fails to properly describe and address the significant issue of available allocation.

CC: Assistant Secretary Shelia Holman  
DWR Director Linda Culpepper