

**Water Quality Trading in the Non-Tidal Passaic River Watershed**  
**Sixth Quarter Progress Report Supplement -**  
**December 1, 2006 to February 28, 2007**

Achievements

1. Economics team completed an extensive report: “*Selected Economic Aspects of Water Quality Trading: A Primer and Interpretive Literature Review*”. The report concludes that water quality trading has the potential to more cost-effectively implement TMDLs. However, potential gains in cost-effectiveness may be difficult to achieve because of the specific nature of water quality, watersheds, and the lumpiness of capital investments. Cost savings that actually accrue will not be associated with the establishment of open, exchange-like markets; instead savings may simply be realized by dischargers independently taking advantage of the flexibility associated with trading programs and to an extent, structured bilateral negotiations between dischargers.
2. Submitted a progress report to EPA describing project accomplishments to date, and an adaptive plan to complete the Trading Program Development phase of the project. This will be the topic of discussion at the March 21, 2007 meeting at EPA Region 2.

Obstacles

1. The main challenge is the absence of a TMDL. An adaptive plan is proposed in the progress report to proceed *under the assumption* of a TMDL based on a 0.4 mg/l long-term average effluent limit for all WWTPs in the watershed.

Next steps

1. Meet with USEPA Region 2 on March 21, 2007 to provide an update on the project and discuss the proposed adaptive plan.

**Project Budget Summary - 3/12/07**

<b>Object Class Categories</b>	<b>Budget</b>	<b>Expenditures (actuals)</b>	<b>Balance</b>
<b>Personnel</b>	\$344,474	\$73,134	\$271,340
<b>Fringe Benefits</b>	\$76,535	\$11,237	\$65,298
<b>Travel</b>	\$9,000	\$3,815	\$5,185
<b>Equipment</b>	\$8,000	\$4,817	\$3,183
<b>Supplies</b>	\$32,250	\$2,862	\$29,388
<b>Contractual</b>	\$256,500	\$57,500	\$199,000
<b>Construction</b>	\$0	\$0	\$0
<b>Other</b>	\$17,100	\$483	\$16,617
<b>Total Direct Charges</b>	\$743,859	\$153,848	\$590,011
<b>Indirect Charges</b>	\$156,131	\$40,996	\$115,135
<b>TOTALS</b>	\$899,990	\$194,844	\$705,146