

The Impact of Private Sector Competition on Bay Mandate Costs

Replacing Sector Allocation with Competitive Bidding

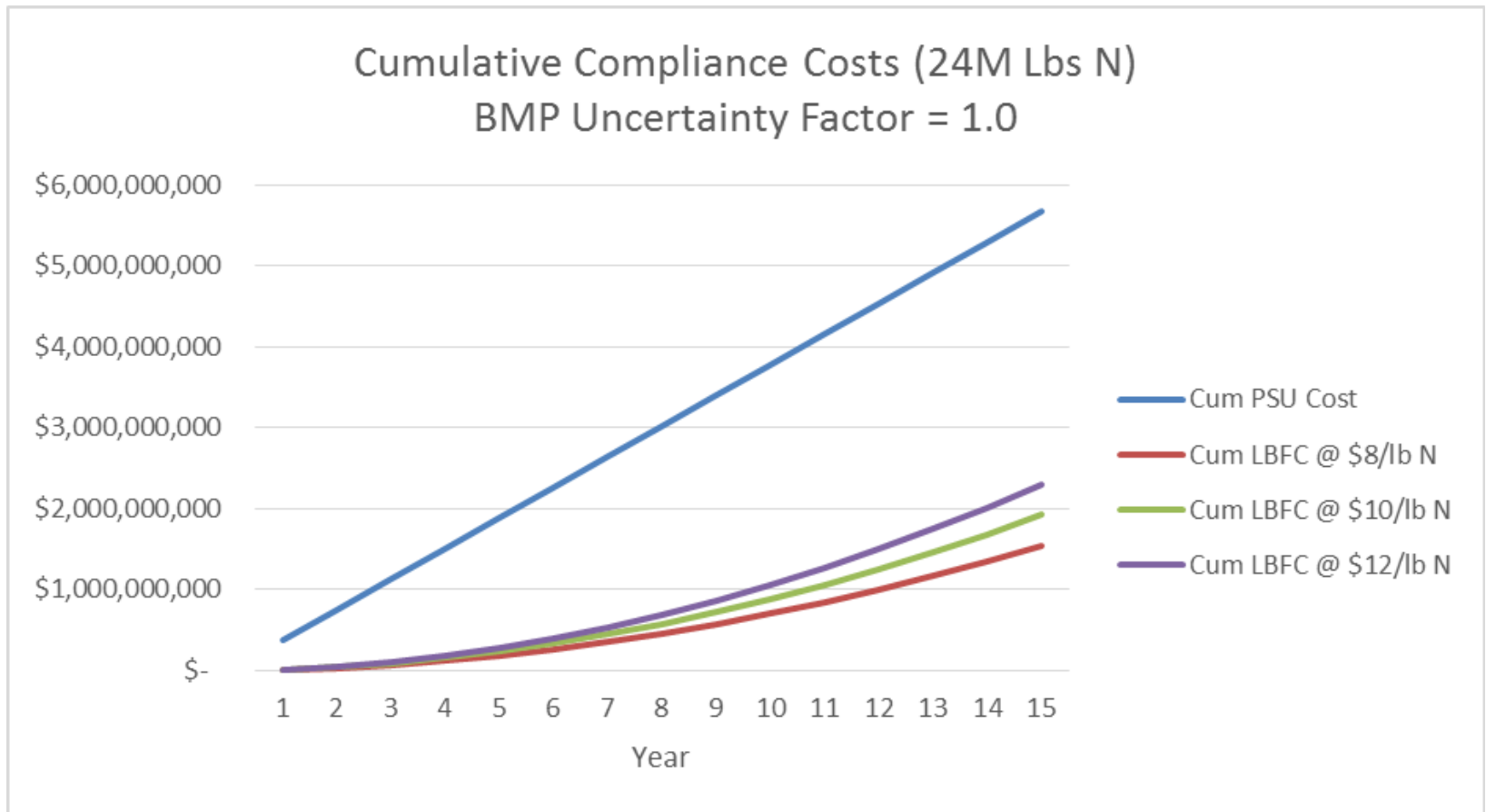
Elements of DEP's "Reboot" Plan

- In his [recent presentation](#) of the DEP's Reboot Plan, Secretary Quigley stated:

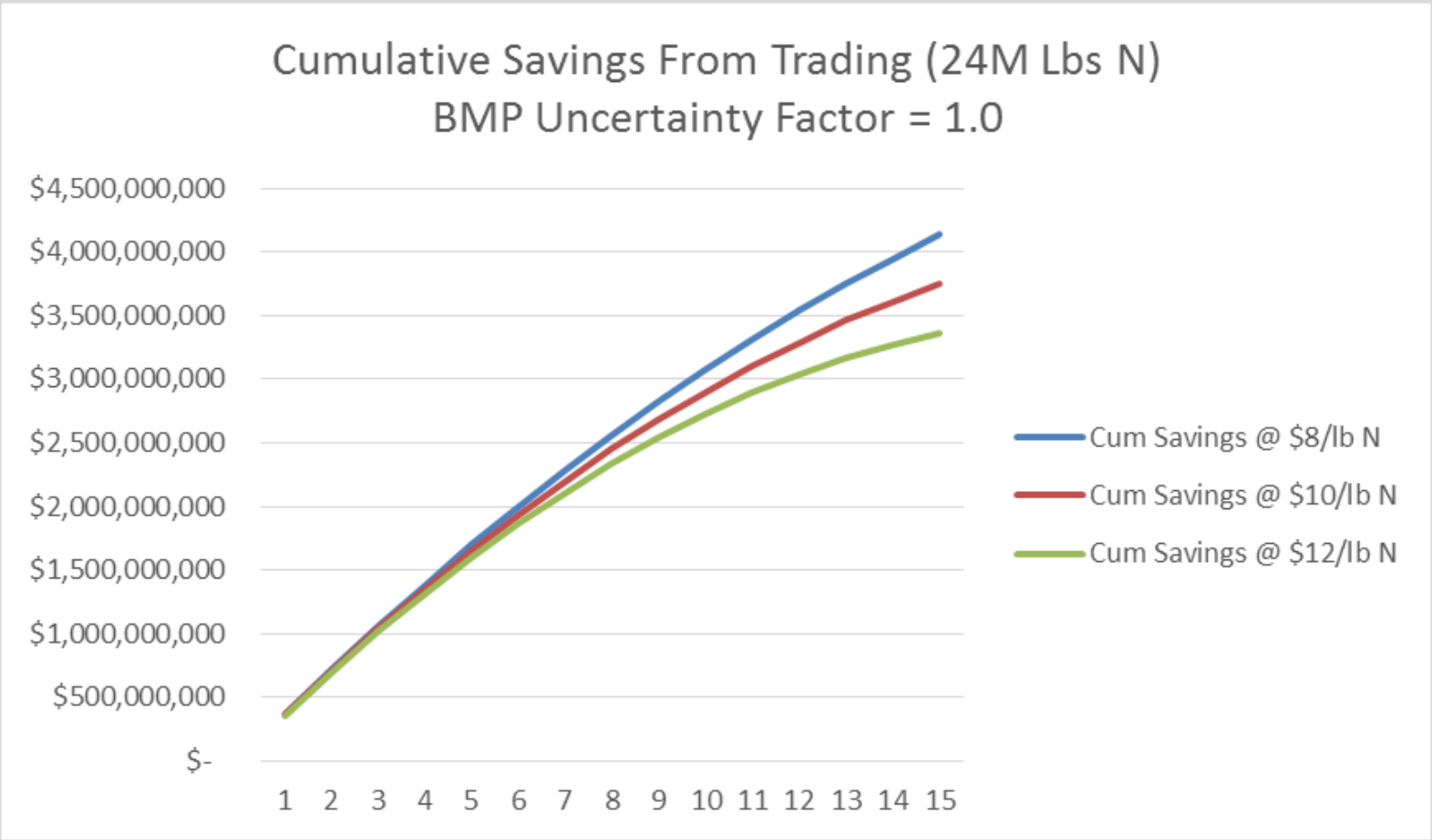
“Further, the most reliable estimate of the amount of resources required to fully implement nonpoint source BMPs called for in Pennsylvania’s Watershed Implementation Plan (WIP) is an [August 2013 report](#) from the Pennsylvania State University Environmental and Natural Resources Institute. That report, provides two estimates. The first estimate shows a need of \$3.6 billion in capital costs to fully implement all nonpoint source BMPs in the WIP, in incremental levels between 2011 and 2025. The second estimate annualizes costs through 2025, and includes Operation and Maintenance (O&M) costs, resulting in a figure of \$378.3 million per year.”

- The [LBFC 2013 study](#) showed how these costs can be dramatically reduced by replacing the existing sector allocation approach with competitive bidding for verified credits which would enable private sector competition.

Cost Comparison: PSU vs Private Sector Alternative (LBFC)



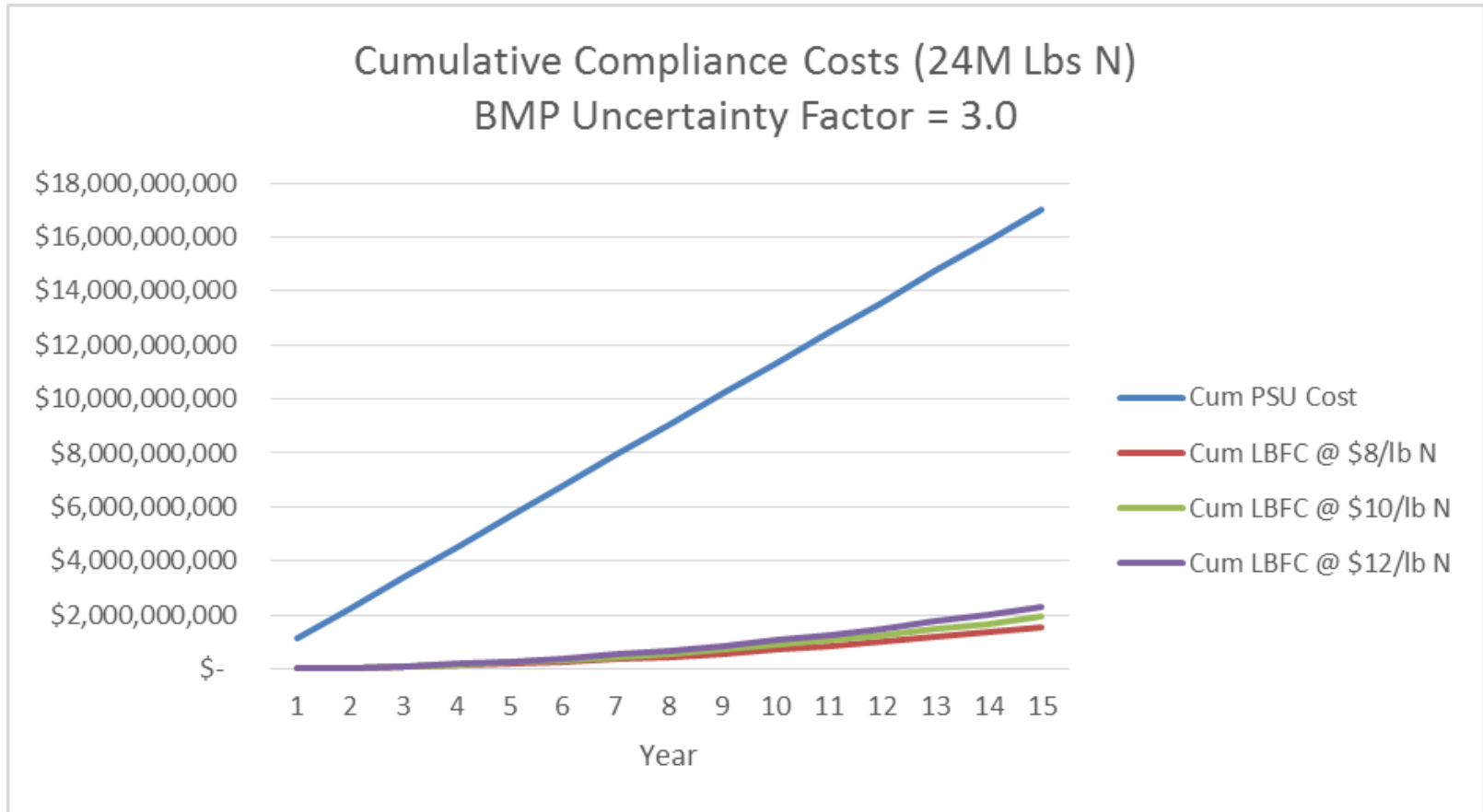
Savings In LBFC Scenario



Uncertainty Factor

- In 2014, US EPA Region III published a [Technical Memorandum](#) that concluded modeled BMPs were 50% or greater less effective than modeled.
- Accordingly, US EPA expects Bay jurisdictions to apply an uncertainty factor to BMPs of at least 2:1.
- Pennsylvania subsequently adopted a 3:1 uncertainty factor for modeled BMPs.
- Applying this uncertainty factor to the PSU cost estimate, \$1.135 billion per year would be required to reach the 24 million lbs N reduction goal.

Cost Comparison With 3:1 Uncertainty Factor



LBFC Savings With 3:1 Uncertainty Factor

