



Request for Information (RFI)

RFI #28341-ML

Water Quality Trading Clearinghouse

Issued: Tuesday, September 1, 2020

Responses Due: Friday September 18, 2020, 2:00 PM CT

- **This is not a bid or proposal.**
- **This Request for Information (RFI) is issued solely for information and planning purposes only and does not constitute a solicitation.**
- **Responses to the RFI will not be returned.**
- **Responses to this RFI are not an offer and cannot be accepted by the State to form a binding contract.**

Questions concerning this RFI should be directed via email to:

Matthew Limoges
State Bureau of Procurement
Department of Administration
Email: MatthewJ.Limoges@wisconsin.gov

Introduction

The Department of Administration (DOA), in consultation with the Department of Natural Resources (DNR), is requesting information on the following topics related to a future solicitation relating to the establishment of a water quality trading clearinghouse as required by s. 16.9685(2), Wis. Stats. The information obtained may be used to inform the request for proposals under this statute.

Information received in response to this RFI that is marked “proprietary” (via the form DOA-3027 Designation of Confidential and Proprietary Information) will be handled accordingly. Information will only be kept confidential to the extent allowed by State of Wisconsin Public Disclosure Law. A copy of the form needed to designate portions of your submission as proprietary can be found as part of the RFI attached documents or at the following link: <http://vendornet/vendornet/doaforms/doa-3027.doc>.

The Department will provide reasonable accommodations, including the provision of informational material in an alternative format for qualified individuals with disabilities upon request.

The State shall not be responsible for any costs incurred by a respondent related to this RFI. Such costs include related activities such as demonstrations and/or presentations. All RFI responses become the property of the State upon receipt and are subject to the state’s public records laws.

If you intend to hand-deliver your response be aware that the Department of Administration has established building security policies and procedures at the 101 East Wilson Street address in Madison. There is a bid box outside of the building that is available to place bid responses.

DOA will work collaboratively with DNR to solicit a third party to operate as the single water quality trading clearinghouse in Wisconsin for the purpose of buying and selling water quality pollution credits. The solicitation process is currently planned to involve the following steps:

1. Request for Information – DOA will release a series of questions intended to gain market perspectives and stakeholder input on critical information for the selection process. Responses will be used to draft a Request for Proposals.
2. Request for Proposals (draft notice period) – A preliminary Request for Proposals will be shared. Comments will be accepted on the Request for Proposals document during a specified time period. Comments received will be considered when finalizing the document.
3. Request for Proposals (final) – The final Request for Proposals instrument is shared for solicitation. Entities wishing to bid on the clearinghouse should follow the instructions that accompany the document.
4. Submitted clearinghouse proposals are scored by an evaluation committee who makes a final selection in consultation with DNR.
5. DOA enters into a contract with the clearinghouse pursuant to s. 16.9685, Wis. Stats.

Background

Wisconsin's Act 151 was enacted on March 3, 2020 allowing for the buying and selling water pollution credits through a central clearinghouse. Under the Act, DNR may authorize a permit holder to discharge a pollutant (e.g., phosphorous) above the numeric levels authorized in a Wisconsin Pollutant Discharge Elimination System wastewater discharge permit if the permit holder purchases credits from a clearinghouse that has contracted with DOA to sell such credits. The use of credits must result in an improvement in water quality, and the reduction in pollutant levels must involve the same pollutant (or the same water quality standard) and occur within the applicable hydrologic area of the discharge point, as determined by DNR.

Act 151 requires DOA to solicit vendors to operate as the singular clearinghouse in Wisconsin for the purpose of buying and selling water pollution credits. DOA may not contract with a clearinghouse unless the clearinghouse has established certain policies and procedures specified under the Act. Per Act 151, the term of a contract between DOA and a clearinghouse is five years and the clearinghouse must do the following:

- (1) generate credits by entering into agreements with parties to reduce pollution;
- (2) maintain a bank of credits; sell credits to any person;
- (3) establish and maintain a centralized registry of credits generated and sold in this state;
- (4) and maintain an Internet-based platform to facilitate the location of potential buyers, available credits, and other information that will facilitate credit transactions.

When the clearinghouse contracts with a party for pollution reduction activities, the clearinghouse must also seek to minimize transaction costs, maximize the performance of the pollution reduction activities, and reduce the overall amount of pollutants introduced into the applicable area.

Act 151 statutory language can be found online at: <https://docs.legis.wisconsin.gov/2019/related/acts/151>

Response Directions

Responses should be typed and submitted on 8.5 by 11-inch paper, securely bound and organized in order by the number of the questions listed in this RFI (Questions #1 - #21). In addition to your response to the questions as noted above, include any additional information which will be essential to an understanding of your response.

Respondents must submit:

1. One (1) original and two (2) hard copies of the RFI response, and:
2. Two (2) USB Flash Drives with the electronic versions of files for all materials **OR** respond as directed in the pages presented in the Wisconsin eSupplier Portal for this event (**STRONGLY PREFERRED**). If you respond electronically through the eSupplier Portal, you do not need to provide a USB Flash Drive of electronic versions of any materials.

The responses to the requested information should be returned to the following address no later than **Friday, September 18, 2020, 2:00 PM CT.**

USPS ADDRESS

Attention: Matthew Limoges
State Bureau of Procurement
Department of Administration
PO Box 7867
Madison, Wisconsin 53707-7867

COMMON CARRIER ADDRESS

Attention: Matthew Limoges
State Bureau of Procurement
Department of Administration
101 East Wilson Street, 6th Floor
Madison, Wisconsin 53703-3405

All responses shall be packaged, sealed in a box or envelope, and clearly marked with the following information on the outside of the package:

- VENDOR NAME AND ADDRESS
- RFI TITLE
- RFI NUMBER
- RFI DUE DATE AND TIME

The State is not responsible for deliveries that do not reach the Bureau of Procurement office by the required due date and time.

Questions pertaining to specific statutory provisions of Act 151

Below is a summary of questions that DOA and DNR have pertaining to how entities serving as the clearinghouse might best meet these requirements. The following text has been broken into two components, one that is directed towards entities interested in commenting on how a clearinghouse might be structured and operated and one that is directed towards the credit generators and users (e.g., permittees). However, all those that are interested in commenting on the RFI should feel free to express their opinions on any of questions below regardless of their roles.

Clearinghouse Entity

The following questions may be best addressed by entities interested in serving in the clearinghouse role; however, everyone is welcome to comment:

- (1) In your opinion, what is the optimal contract structure of the clearinghouse and who do you see the clearinghouse contracting with (e.g., landowners, county LCD offices, other third parties, etc.)?
- (2) What impediments potentially exist for the clearinghouse to establish a commercially reasonable amount of financial reserves, insurance, reserve credit pool, or other risk management mechanisms and how might a clearinghouse establish such financial reserves prior to initiating water quality trades?
- (3) What types of risk management mechanisms might be employed to afford protections for both the credit generator and credit user?
- (4) Management practices have differing costs associated with installation and maintenance, have differing levels of reliability and performance, and function differently (produce different reductions) when working independently or as part of a system of conservation practices. Given these factors, how should a clearinghouse monetize the credits and what sorts of fee structures could be employed?
- (5) Given that the market is also being driven by the cost associated with on-site treatment technology, and on-site treatment costs have been decreasing, how can a stable market be maintained when the demand will be based on permit requirements and treatment costs for which the clearinghouse has no control? What mechanisms could the clearinghouse utilize to help facilitate a stable market?
- (6) How should the clearinghouse track that practices are installed and maintained such that credits can be properly documented? What mechanisms could the clearinghouse utilize to ensure that the supporting credit determination and documentation is shared and available for the public?
- (7) Given the supply and demand interactions of any marketplace, how will permittees know where credits will be produced and how does the clearinghouse ensure that credits are available in areas where there is demand?
- (8) How does the timing of permit reissuance, resulting in the potential demand for credits, impact the ability for the clearinghouse to pick locations to establish credits?

- (9) The statute envisions an online registry to match credit generators and credit users within applicable hydrologic areas. GIS web-based systems could help fulfill this requirement. Are there other methods that could be employed and what are the desired characteristics of an internet-based platform?

Credit User and Credit Generator

The following questions maybe best addressed by entities willing to buy or sell credits through a clearinghouse structure; however, everyone is welcome to comment:

- (10) What is an appropriate contract structure that affords a permittee protection in the event credits are not generated? Through what mechanism could this be implemented?
- (11) What types of risk management mechanisms should be employed to afford protections to the credit buyer and credit seller?
- (12) Should the clearinghouse sell both interim and long-term credits? Given that the cost associated with the management practices maybe fixed, regardless if the practice produces long-term credits, should different fee structures be employed depending on if the credits are interim or long-term?
- (13) As credits are planned to be produced, what is the desired planning horizon over which pollution reduction projects under development should be shared with potential buyers and permittees?
- (14) In what ways can pollution reduction activities be optimized with little extra cost to credit purchasers? Research has shown that a system of complementary nonpoint management practices is more effective than just implementing one management practice such as a change in tillage. Should the clearinghouse prioritize credits generated from a system of practices, which are generally more effective and reliable, than selling credits from just individual practices?
- (15) Should the availability of reserve credits or other risk management methods increase the monetary value of credits used for compliance?
- (16) What are the typical transaction costs that have been incurred by parties currently involved in water quality trading?
- (17) Should the ability of a clearinghouse to conduct research under s. 16.9685(5)d., Wis. Stats. factor into RFP scoring process and if so what areas of emphasis should be prioritized?
- (18) What level of available resources and specific capabilities should the clearinghouse entity have to document during the RFP process to demonstrate that they can effectively carry out the required roles of the clearinghouse? Potential areas of expertise include:
- a. Agricultural nonpoint source pollution management
 - b. Stormwater/urban nonpoint source pollution management

- c. Wastewater treatment and facility planning principals
- d. Water quality standards and total maximum daily load studies
- e. Interfacing with state and municipal government bodies
- f. Interfacing with landowners and agricultural producers
- g. Contract law
- h. Construction management
- i. Information technology

- (19) Is it acceptable for a single clearinghouse entity to focus on just a sub-area of Wisconsin, thereby failing to make credits available statewide?
- (20) What is the optimum contract duration under which parties install and maintain pollution reductions pursuant to s. 16.9685 (3) (a), Wis. Stats. (agreement between clearinghouse and credit generator)?
- (21) What is a reasonable start-up time from the point DOA awards the contract to the point that the clearinghouse is operational and has pollution reduction credits available for purchase?