



Nutrient Trading/Offset Work Group Meeting

July 9, 2026, 8:30 a.m. – 2:30 p.m.

Bozeman City Hall

121 N. Rouse Ave. Bozeman, MT 59715

Madison Room

Join via Zoom:

[Zoom Link](#)

Dial by Phone: 1 (206) 337-9723, **Webinar ID:** 897 1374 4003

Relevant Documents

- [HB736](#)
- [Circular DEQ-13](#)
- [ARM 17.30.1701](#)

Preliminaries

- Agenda
- Thank you to Shawn K. for providing meeting room and refreshments
- Roll Call
 - Shawn Kohtz, Public point sources
 - Sarah Zuzulock, Conservation
 - Clayton Elliott, Conservation, recreation
 - Hannah Riedl, DEQ
 - Kyle Milke, DEQ
 - Hannah New, DEQ
 - Mark Ockey, DEQ
- Approve [May 21, 2026 meeting minutes](#) and share any post-meeting thoughts or ideas
 - No corrections recommended by Work Group members– Kyle M. will finalize the meeting minutes and put them on the website.

Preview proposed updates to DEQ-13 and ARM

- Hannah R. walked through planned updates to the Administrative Rules of Montana. Proposed changes include:
 - Replacing references to the Board with references to the Department to reflect change in roles.
 - Updating language to reflect changes regarding nutrient standards.
 - Addition of new Montana Code Annotated references.
 - Other minor wording changes.
- Hannah R walked through ongoing updates to Circular DEQ-13. Changes proposed since the last Work Group meeting include:
 - Redefining “baseline” for nonpoint sources of pollution as the load allocation identified in a TMDL when a TMDL is present (to comply with EPA requirements).
 - Incorporating trading ratios from HB-736.
 - Changes necessary to improve readability, such as replacing the term “waste water disposal system” with the commonly used term “septic system”.
 - Removing references to specific phased TMDLs so circular applies to all potential phased TMDLs and thereby remains evergreen.
- Hannah R. noted that DEQ is currently working on drafting the methods that will go into Appendix A.

Topics from May 21st to revisit

- Updating the overarching flow diagram to reflect separate pathways for the trade and for MPDES permitting.
 - Hannah N. has updated the flow diagram to clarify that the trade path occurs prior to the MPDES path.
- Point source to point source 100% offset ratio
 - Hannah N. explained there are two categories of point source to point source trades
 - The first category includes situations where there is a clearly identifiable seller and a clearly identifiable buyer.
 - The second category includes situations where there is a transfer of an existing load from one point source to another – the Billings and Missoula trades both fall into this category.
 - Hannah N. provided several examples of the first category of point source to point source trades, explaining that in some instances, the nature of the trade guarantees a net decrease in loading for the watershed, but in other instances it does not. In cases where the nature of the trade does not guarantee a net reduction in load, EPA will require some other means of generating a net reduction. Hannah N. indicated DEQ is proposing a 90% improvement ratio (known in some states as a 10% reserve credit) be applied to point source to point source trades in instances where the nature of the trade does not already guarantee a net reduction.
 - Hannah R. explained that DEQ’s interpretation of the language in HB-736 is that the net reduction requirement in HB-736 must be satisfied before the 100% trading ratio can be

applied. Shawn K. explained that his interpretation of HB-736 was that point source to point source trades were to be credited at 100% and that applying an improvement ratio or reserve credit would be inconsistent with the intent of HB-736. Clayton E. indicated he was unsure about DEQ's interpretation, but would support it. Sarah Z. also voiced support for having a mechanism to ensure a net reduction would occur. Work Group members generally agreed that the statute seems to set up conflicting requirements. DEQ staff noted that EPA has indicated they will not approve trades that don't result in a net decrease in loading to the watershed.

- Work Group members generally acknowledged that some sort of mechanism was needed to ensure a net decrease. Work Group members discussed several ways in which this could be accomplished, including:
 - Application of an improvement ratio.
 - Application of an improvement ratio as a minimum guarantee.
 - Allowing the seller to sell their credits at a 100% ratio but then requiring the buyer to purchase slightly more credits than they needed to offset their permit limits.
 - Placing the onus on the buyer and seller to demonstrate to DEQ's satisfaction that their proposed trade would result in a net decrease, but leaving it up to the buyer and seller to come up with a method of demonstration.
- Hannah R. and others noted that the method used to demonstrate a net decrease would need to take into account the inherent variability in the buyer's discharge rate due to normal operation.
- The Work Group agreed that a 90% improvement ratio would be a default requirement, but that DEQ would come up with a method buyers and sellers can use to refine that ratio.
- HB-736 Section 4c states "The department shall use the methodologies established pursuant to this subsection (4) unless there is clear and convincing evidence that the nutrient loading of the proposed action would be substantially different from that determined by the established methodologies." And HB-736 Section 4b states "Other projects and methods may be proposed by an applicant or permittee that are supported by science and data modeling and are not contrary to existing data."
 - Suggestion from DEQ to allow permittees to submit their own methodologies for DEQ to review, and that upon DEQ acceptance, the methods would become DEQ-accepted/established methodologies. Work Group members did not object to this suggestion.
 - Sarah Z. asked whether, rather than adopting the HB-736 4b language that states "supported by science and data modeling" into Circular DEQ-13, if DEQ might be able to alter it to read "supported by science and/or data modeling". Hannah R. expressed an interest in adopting the language from HB-736 verbatim, but indicated that DEQ would consider the suggested change.
- Hannah N. offered DEQ's suggestion that the language in Circular DEQ-13 be changed to reflect that while a trade application could be developed and submitted at any time, the trade would not be applied to a permit until the permit is renewed and that the trade would be published and

subject to review as part of the permit renewal. Work Group members did not object to this proposed change.

- Hannah N. also brought forward a proposal from DEQ that language in Circular DEQ-13 be modified to indicate that the baseline for point sources would be established by the final water quality-based effluent limitation based on the applicable point source wasteload allocation. This change would provide better certainty for the buyer and seller and would prevent trades based on interim limits such as those established in a compliance schedule. Work Group members did not object to this proposed change.

9:50-10:05 Break

Wetland Credit Method

- Hannah R. provided an overview of two wetland restoration effectiveness studies DEQ has been conducting.
 - Mandeville Creek Wetland Restoration Project monitoring
 - Restoration project by Trout Unlimited with funding from DEQ and others.
 - Upper Mandeville Creek and Farmers Canal flow into the project area, with most of the flow coming from Farmers Canal.
 - Farmers Canal water is a mix of irrigation tailwater and stormwater.
 - Wetland treatments have included extensive use of beaver dam analogs to spread water out onto the floodplain, installation of post-assisted log structures and erosion control bank structures to improve sinuosity, and extensive riparian and wetland planting.
 - DEQ has collected pre-restoration water quality data and is in the process of collecting post-restoration data.
 - DEQ has monitored surface water and groundwater within the project area monthly from May-October.
 - Preliminary results suggest the wetland improvements have reduced Total Suspended Sediment and Total Nitrogen and allowed the depth to the water table to remain elevated longer after rain events. More data collection is needed in order to determine whether measured improvements are statistically significant.
 - Selkirk wetland mitigation site monitoring
 - Montana Department of Transportation wetland mitigation project protected under a perpetual easement.
 - The project filters irrigation return flows and groundwater.
 - DEQ has been monitoring surface water at the site monthly from April through October.
 - DEQ does not have pre-restoration monitoring data. The Wetland has been on the landscape for 20 years. Ongoing monitoring is providing insight into wetland treatment performance in a mature wetland.

- Monitoring results suggest Total Suspended Sediment increases as water moves through the wetland, possibly due to effects of waterfowl and wind fetch on shallow open water areas within the wetland.
 - Monitoring results also suggest Total Nitrogen increases as water moves through, but nitrate nitrite actually decreases.
 - Data suggest that Total Phosphorus and Soluble Reactive Phosphorus both decrease as water passes through the wetland.
- Hannah R. described the method she has conceptualized to meet the HB-736 requirement of calculating nutrient reduction credits for treatment wetlands based on the number of irrigated acres contributing return flow.
 - Hannah R. noted that she has been unable to find any other state that is attempting to calculate load reductions in exactly this manner. The closest example she has found comes from the state of Iowa, which uses a method that addresses the size of the treatment wetland compared to the acres of cropland contributing return flow.
 - Hannah R. has drafted a method that uses EPA's Pollutant Load Estimation Tool (PLET) to estimate pollutant loading coming from cropland and data from the Iowa method to derive estimated removal efficiencies. The results of this method were compared to the preliminary results from DEQ's Mandeville Creek and Selkirk site specific monitoring. The method appears to produce estimated nutrient reductions that are smaller than measured for Mandeville, but larger than measured for Selkirk.
- DEQ proposes using the method Hannah R. developed for calculated load reductions. Modifications to the removal efficiencies could be made in the future as more Montana-specific wetland data becomes available. DEQ proposes that applicants could implement site specific monitoring to potentially justify a larger credit in the next permit renewal.
- Based on observations from DEQ's monitoring at Selkirk, DEQ is proposing that modeling would only be an acceptable method of calculating credits for the first 15 years of a treatment wetland's lifespan. After that, site-specific monitoring will be required in order to calculate credits.
- Work Group members discussed the importance of encouraging traders to begin site-specific monitoring as early as possible, and that data be reported back to help DEQ improve the accuracy of the model Hannah R. has been working on.

Program Promotion

- Kyle M. led the Work Group through a brainstorming session to identify ways to encourage participation in Montana's nutrient trading program.
- DEQ is working on developing a trade application form that will be placed on a new web page with a copy of the final Circular DEQ-13 and other reference materials. Other relevant DEQ web pages (e.g. the operator assistance page and the permitting website) will have cross links to the nutrient trading web page.
- The Work Group identified three main target audiences for outreach
 - Credit Buyers (MPDES permit holders and potential permit holders)

- Credit Sellers (entities engaged in conservation work whose projects might be used to generate credits; watershed groups, conservation districts, regional conservation nonprofits)
 - Trading Facilitators (environmental consultants, professional organizations representing potential buyers and sellers)
- Work Group members generated a list of potential target entities, and promotion venues and means.
 - The League of Cities and Towns
 - Montana Association of Counties (MACO)
 - The Water, Wastewater and Solid Waste Action Coordinating Team (W2ASACT)
 - Shawn K. suggested individual cities could get the word out through their communication channels
 - Clayton E. suggested the Montana Association of Conservation Districts (MACD)
 - Montana Water Resources
 - Water School
 - Target consulting firms at the Montana Water Bar, an event for water lawyers where numerous environmental consulting firms come and table
 - Adding a question to the interest application for SRF to reflect the potential for using SRF to fund nutrient trading projects
 - Montana Mining Association
 - Montana Petroleum Association
 - Clark Fork Coalition
 - Farm Bureau Federation
 - Montana Stockgrowers Association (MSGA)
 - Joint presentations by DEQ and the City of Bozeman to some of the organizations listed above

Planning for Future of the Nutrient Trading Work Group

- Potential upcoming meeting topics:
 - Write-ups for 3 new credit calculation methods
 - Point source to point source transfer trades
 - Trading application form
- 2-hour meetings going forward, Kyle M. will send out doodle polls.

General Comments from Work Group Members & Public Comment

- Leea Anderson, the member of the public who was on at the start of the call had left at this point in the meeting. There were no members on the public and no further comments from Work Group members.

12:30-2:30 Project Tours

- Work Group members toured the Bozeman Water Reclamation Facility wetland treatment pilot project and spoke with the MSU PHD student who is doing his dissertation on the project. Work

Group members also got to tour a recently completed erosion control project completed on the wastewater treatment plant property along the East Fork of the Gallatin River.

- Work Group members toured the Mandeville Creek Restoration Project and learned from the experiences of Trout Unlimited Project Manager Connor Parrish.