

## EXHIBIT D1

ECONOMIC IMPACT STATEMENT  
EO 05-04: Regulatory Flexibility

**ECONOMIC IMPACT STATEMENT  
OF PROPOSED RULES OR REGULATIONS**  
EO 05-04: Regulatory Flexibility

Department Arkansas Department of Environmental Quality

Division Water Division

Contact Person Ray F. Cox, representing third party petitioner Central Arkansas Water

Date December 19, 2007

Contact Phone (501) 212-1290

Contact Email rcox@wlj.com

Title or Subject Petition by Central Arkansas Water to Initiate Rulemaking to Amend Arkansas Pollution Control and Ecology Commission Regulation No. 6, Regulations for State Administration of the National Pollutant Discharge Elimination System (NPDES)

**Benefits of the Proposed Rule or Regulation**

1. Explain the need for the proposed change(s). Did any complaints motivate you to pursue regulatory action? *The proposed change is to prohibit surface discharges of wastewater into the Lake Maumelle Basin, with the exception of discharges permitted under the NPDES stormwater permitting program. No complaints were received but scientific studies, including the use of calibrated watershed and lake response models, have demonstrated that long-term surface water discharges of wastewater pose the single most serious and dominant threat to Lake Maumelle, greatly increasing the likelihood of harmful algae blooms and significantly degrading the current high level of lake water quality (Tetra Tech, 2006). The watershed and lake analysis showed that allowing surface wastewater discharges other than stormwater – even with the highest levels of treatment – would make it impossible to achieve lake water quality targets.*

If so, please explain the nature of such complaints. *No complaints have been received.*

2. What are the top three benefits of the proposed rule or regulation? *1) Maintain the high water quality in Lake Maumelle, the primary raw water source for Central Arkansas Water, which serves 398,000 people in central Arkansas. 2) Minimize or prevent the potential formation of Trihalomethanes (THM, a carcinogen regulated by the EPA) that may occur when raw water with high amounts of algae or organic matter is chlorinated 3) Prevent higher water treatment costs.*

3. What, in your estimation, would be the consequence of taking no action, thereby maintaining the status quo? *Lower water quality in Lake Maumelle due to increased algae growth in response to the higher amounts of phosphorus (a fertilizer that promotes algae growth) and the associated risk for formation of THM and other disinfection by-products (DBPs) that have health risks and are regulated by EPA. Moreover, large concentrations of algae in the raw water create taste and odor issues in the treated water, which are extremely difficult to mitigate. Finally, higher treatment costs for meeting the EPA regulated values for the THM and DBPs, and to minimize taste and odor problems.*

4. Describe market-based alternatives or voluntary standards that were considered in place of the proposed regulation and state the reason(s) for not selecting those alternatives. *Alternatives have been considered and can be used for wastewater treatment in the watershed. These*

*include sub-surface discharging systems such as septic tank systems, drip-irrigation systems; or pumping the wastewater out of the watershed, where feasible.*

### **Impact of Proposed Rule or Regulation**

5. Estimate the cost to state government of collecting information, completing paperwork, filing, recordkeeping, auditing and inspecting associated with this new rule or regulation. *There should not be any additional cost than what is associated with existing permitting programs administered by ADEQ and the ADH.*

6. What types of small businesses will be required to comply with the proposed rule or regulation? Please estimate the number of small businesses affected. *There are currently no businesses in the watershed that have a surface discharging system.*

7. Does the proposed regulation create barriers to entry? If so, please describe those barriers and why those barriers are necessary. *No barriers are associated with this proposed change,*

8. Explain the additional requirements with which small business owners will have to comply and estimate the costs associated with compliance. *There should be no additional requirements or increased cost for these types of sub-surface discharging wastewater systems. In fact, they are usually less expensive than surface discharging wastewater treatment plants.*

9. State whether the proposed regulation contains different requirements for different sized entities, and explain why this is, or is not, necessary. *The proposed change to the regulation (no surface discharge of wastewater with the exception of permitted stormwater discharges) will be the same for all entities.*

10. Describe your understanding of the ability of small business owners to implement changes required by the proposed regulation. *There should be no difference, because the small business owners can use sub-surface discharging systems or pump from the watershed.*

11. How does this rule or regulation compare to similar rules and regulations in other states or the federal government? *It is more stringent, in that the federal NPDES Permitting system, which is administered by the ADEQ, allows surface discharge of wastewater.*

12. Provide a summary of the input your agency has received from small business or small business advocates about the proposed rule or regulation. *The proposed rule change is one of the recommendations of the Lake Maumelle Watershed Management Plan. The plan was developed with extensive public participation, including four public meetings. No opposition from small businesses or small business advocates has been received.*