



Dr. Andrew D. Sawyers
Director, Office of Wastewater Management
U.S. Environmental Protection Agency

October 19, 2020

Via e-mail

Re: Comments on proposed Financial Capability Assessment Guidance Docket ID: EPA–HQ–OW–2020–0426

Dear Dr. Sawyers:

The Association of Metropolitan Water Agencies, an organization of the nation’s largest publicly owned drinking water utilities, applauds EPA for proposing the 2020 Financial Capability Assessment (FCA) Guidance and welcomes this opportunity to comment on the draft. AMWA commends EPA for working to update the 1997 FCA guidance as promised following recommendations from the National Association of Public Administration (NAPA) in its 2017 report, “Developing a New Framework for Community Affordability of Clean Water Services.”

Providing safe, clean, and reliable drinking water as well as wastewater and stormwater service is an enormous undertaking and responsibility; it is also an undertaking of considerable expense. AMWA’s policy statement on drinking water affordability encourages federal policymakers to remain cognizant of the financial effects of regulatory mandates on local water utilities and their ratepayers, and it is important to also keep in mind that mandates imposed to ensure compliance with the Clean Water Act (CWA) can directly affect a community’s ability to pay for projects or maintain infrastructure necessary to provide drinking water service. We therefore appreciate that the proposed FCA guidance recognizes that both clean water and drinking water costs are typically covered through charges imposed on a single rate base. We believe that Alternative 2 in particular appropriately recognizes how the complexity and uniqueness of each community’s water infrastructure burdens affect their ratepayers’ ability to pay for these services and federal mandates.

AMWA believes Alternative 2 as described in the FCA provides a more complete picture of a community’s capability to fund its projects required under the Clean Water Act while also more explicitly recognizing that drinking water costs should be included in the burden assessment.

BOARD OF DIRECTORS

PRESIDENT Angela Licata New York City Department of Environmental Protection	VICE PRESIDENT John Entsminger Las Vegas Valley Water District	TREASURER Robert L. Davis Cleveland Department of Public Utilities	SECRETARY Vacant	CHIEF EXECUTIVE OFFICER Diane VanDe Hei	
Mike Armstrong WaterOne	Tad Bohannon Central Arkansas	Shane Chapman Metropolitan Water District of Southern California	Scott Dewhirst Tacoma Water	Steve Edgemon Fairfax Water	Yvonne Forrest Houston Water
David Gadis DC Water	Richard Harasick Los Angeles Department of Water and Power	Robert Hunter Municipal Water District of Orange County	Ghassan Korban Sewerage and Water Board of New Orleans	Carrie Lewis Portland Water District	James S. Lochhead Denver Water
Ron Lovan Northern Kentucky Water District	Sue McCormick Great Lakes Water Authority	Steve Schneider Saint Paul Regional Water Services	John P. Sullivan, Jr. Boston Water and Sewer Commission	Jeffrey Szabo Suffolk County Water Authority	Timothy Thomure Tucson Water

AMWA encourages EPA to include as “Recommended Critical Metrics” under Alternative 2 “all water costs to include all drinking water costs” as well as “planned water infrastructure investments and any deferred costs of system operations and maintenance, in the burden assessment.” This is consistent with the recommendations of the 2017 NAPA report. AMWA urges EPA to state for both alternatives that all water costs to include all drinking water costs also be noted as Recommended Critical Metrics. AMWA also encourages EPA to have the requisite skillset within the agency to be able to adequately assess all submissions, whether under Alternative 1 or Alternative 2. EPA should also consider establishing an ombudsman position to help ensure consistency in reviewing assessments is achieved across EPA headquarters and regions.

With regard to Alternative 1, AMWA appreciates the inclusion of the critical metrics with established thresholds and instructions. AMWA feels that the 2% Median Household Income (MHI) benchmark under Alternative 1 is inadequate for many large communities where household incomes vary widely, as 2% of the entire area’s median may remain well beyond the reach of the budgets of a water utility’s poorest customers. It would be helpful for EPA to explain in the final document its reasoning for this 2% benchmark and include additional empirical evidence supporting its use as an affordability metric. AMWA recommends that the final guidance that EPA make clear that communities can choose to use either Alternative 1 or Alternative 2 for developing its FCA.

AMWA does recognize that both Alternative 1 and Alternative 2 include consideration of a “poverty indicator” that is calculated based on factors such as the percentage of population with income below 200% of the federal poverty level, the percentage of population with income below the federal poverty level, the upper limit of the lowest income quintile, the lowest quintile income as a percentage of aggregate income, and the percentage of population receiving food stamps or SNAP benefits. While consideration of these factors would likely lead to a reasonable assumption of the financial capability of a community’s ratepayers, one straightforward data point is overlooked: the percentage of customers enrolled in a drinking water or wastewater system’s ratepayer assistance program. While we understand that not every drinking water or wastewater system offers a ratepayer assistance program, EPA’s April 2016 compendium of “Drinking Water and Wastewater Utility Customer Assistance Programs” found that more than a quarter of water utilities surveyed offered at least one customer assistance program. Large water utilities serving more than 100,000 people were most likely to offer such a program. Therefore, when calculating its poverty indicator, a community that offers a drinking water or wastewater utility customer assistance program should have the option to include the percentage of customers participating in the program, as it represents a readily-available data point indicating the scope of water ratepayer assistance need in the community.

Finally, AMWA appreciates EPA’s intention to work with communities to avoid “rate shock” on customers who must alter their household budgets to afford escalating water and wastewater bills. However, while EPA suggests that it does not intend for compliance schedules to “exceed the useful life of a community’s water infrastructure assets,” AMWA recommends that EPA

Dr. Andrew Sawyers

October 19, 2020

Page 3 of 3

tailor compliance schedule costs calculations to reflect the timeframe over which a community is expected to pay off a bond financing a particular project. This timeframe, and not the overall expected life of the project, is the timeframe during which the project will most directly influence the water bills charged to ratepayers.

As aging water infrastructure, emerging resilience needs, and expanded regulatory mandates are expected to put upward pressure on local water rates in the coming years, EPA should continue to consider how these escalating costs will affect low-income ratepayers. This proposed 2020 FCA guidance is a first step in doing that. AMWA encourages EPA to continue to develop guidance and craft new regulations in such a way as to minimize burdens on the public while protecting public health. Should you have any questions about our comments, please contact Erica Brown at brown@amwa.net.

Sincerely,



Diane VanDe Hei
CEO

cc: Sonia Brubaker, OWM
Mark Pollins, OECA