WESTERN URBAN WATER COALITION

March 9, 2021

The Honorable Joe Biden
President
United States of America
1120 20th St. NW
Washington, DC 20036

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, U.S. Capitol
Washington, D.C. 20515

Dear President Biden, Leader Schumer, Speaker Pelosi, Leader McConnell, and Leader McCarthy:

The Western Urban Water Coalition (WUWC) is a coalition of 18 of the largest western water utilities[1] formed 30 years ago to address the unique water issues facing the western United

[1] WUWC was established in 1992 to address the West's unique water supply and water quality challenges, and consists of the following members: Arizona (Central Arizona Project, City of Phoenix and Salt River Project); California (Eastern Municipal Water District, City of Los Angeles Department of Water and Power, The Metropolitan Water District of Southern California, San Diego County Water Authority, Santa Clara Valley Water District, and City and County of San Francisco Public Utilities Commission); Colorado (Aurora Water, Colorado Springs Utilities, and Denver Water); Nevada (Las Vegas Valley Water District, Southern Nevada Water Authority,

States. WUWC members serve over 40 million water consumers across seven states and rely on a vast infrastructure of water storage facilities, desalinization plants, and pipelines to provide reliable, high-quality water to these consumers.

The replacement of aging water infrastructure and the development of new water infrastructure is critical to complement the significant water conservation steps already being taken by municipal water users to meet the challenges of climate-related events like droughts, wildfires and floods, as well as the public safety threats of seismic events and facility failures. Western expansion and growth were made possible by federal investment and ownership of the major water infrastructure projects that western communities now rely on for safe drinking water supplies. Federal partnerships and investment in water infrastructure are necessary due to the intertwined ownership of the West's water infrastructure between private entities and local, state, and federal governments. Federal investment in the renewal of existing, aging western water infrastructure as well as new infrastructure makes good economic sense as the water supplies supported and created also support businesses and are the foundation for the vibrant economies seen across western communities and cities.

As the Administration and Congress consider economic stimulus and COVID-19 recovery legislation, WUWC offers the following recommendations to support the improvement and development of water infrastructure in the West.

Water Projects Are an Infrastructure Priority

Water projects designed to meet residential, commercial, industrial and agricultural uses, as well as stormwater and wastewater management facilities, are vital to the U.S. economy, our quality of life, and the advancement of environmental values. A safe and reliable water supply is also essential to national security. Water projects entail extensive infrastructure. Much of the existing infrastructure is aging and requires improvement or expansion, while new infrastructure is required to meet growing demands. Federal water infrastructure funding can be an important vehicle to address issues of water equity, including affordability, access and environmental justice for underserved, previously redlined and tribal communities.

Changing natural conditions present an extreme challenge to western water providers. Drought, floods, fire, extreme weather events, warming water temperatures and other such variations in environmental conditions are occurring with increased frequency and unpredictability. Because water supply in the West depends to a great extent on runoff from snowmelt, water providers are being forced to rethink the way their systems operate. The runoff season is beginning and ending earlier in the year, hampering efforts to meet prioritized water allocations, while water supply availability fluctuates dramatically from year to year. Further, large flood events demonstrate the vulnerability of existing infrastructure that was designed in reliance on historic hydrology, which is no longer a dependable predictor of the future. To address these challenges, water providers will need to ensure that their water supply planning, infrastructure and operational decisions are more resilient to change.

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and Truckee Meadows Water Authority); New Mexico (Albuquerque Bernalillo County Water Utility Authority); Utah (Salt Lake City Public Utilities); and Washington (Seattle Public Utilities).

In addition, as a further example, at the turn of the twentieth century, vast expanses of western forests were set aside as federal reserve lands to protect the watersheds that supply the fresh water to western water users. Today, those federal reserve lands are our nation's national forest lands and are in immediate need of restoration to reduce and prevent continued degradation of these watersheds due to unprecedented wildfires. Fostering a strong partnership between the Department of the Interior and the Department of Agriculture focused on investing in this "green" infrastructure to restore and protect the health of these forests and watersheds, and corresponding water infrastructure that depends on the water produced from these national forests, is paramount.

Addressing water infrastructure needs was already enormously challenging without the recent outbreak of COVID-19. Today, with many Americans confined to their homes due to COVID-19, recommended handwashing and cleaning protocols underscore the essential nature of a clean, reliable and accessible water supply for everyone. The coronavirus has created additional challenges for water providers. Revenues have been impacted as many customers have lost their employment or gig-work and are unable to pay their bills due to business shutdowns and associated layoffs or terminations. Added to that, the closure or shutdowns of these businesses has been an additional source of lost revenue for utilities. During this same time utility costs have gone up as utilities have had to invest in the precautions necessary to protect their workforces, which carry out this essential public service. The added costs and the reduced revenue have resulted in a decline in monetary reserves for water entities, further challenging their ability to address and pay for infrastructure needs.

Funding and Financing for Water Infrastructure Projects

WUWC urges Congress to increase direct federal funding for water infrastructure projects similar to federal investment in transportation systems. Direct federal funding is essential for projects that meet current and future water demands in light of a changing and variable climate, protect vulnerable individuals and communities, increase water system reliability and resiliency, comply with water quality mandates, mitigate water supply risks, accelerate the pace and scale of forest management in water supply watersheds, and provide for multiple beneficial uses (i.e., municipal, industrial, agricultural, environmental, and recreational uses). Climate change/variability and water scarcity in the western states present long-term impacts on the ability of water providers to supply safe and reliable water and are significant drivers behind the funding needs for water infrastructure. Significant federal funding is needed to develop additional water storage projects to capture, retain, and efficiently use excess wet-year water so it is available during extended drought conditions for multiple beneficial uses and the environment. Water system resiliency is foundational for economic stability and growth in the western states. Such projects include not only new infrastructure, but the restoration of lost storage capacity, the enlargement of existing projects and environmental restoration.

Congress should also increase the availability of federal financing tools and direct federal investment to encourage investment in water infrastructure. The development of federal infrastructure grant and forgivable loan programs is important to help water, wastewater and stormwater utilities rebuild and expand these foundational and critical aging infrastructure systems. Additionally, the Bureau of Reclamation loan guarantee program under the Water Infrastructure Improvements for the Nation (WIIN) Act has enabled funding opportunities for

Desalination Construction Projects and Title XVI WIIN Water Reclamation and Reuse Projects, which provide flexibility to water providers in managing their water resources so as to ensure a reliable water supply. Reclamation also has funding available for Water Strategy Grants to enable water providers to establish or expand water markets or marketing activities so as to increase water supply reliability. The WIIN Act and the SECURE Water Act have provided Reclamation with authorities to partner with local water agencies to study and recommend infrastructure projects for Federal funding. Congress should expand on the authorities provided by WIIN and SECURE Acts to help streamline these partnerships to identify prudent infrastructure investments needed to adapt to a changing climate. Moreover, Reclamation itself requires additional funding to meet its commitments to reduce system losses and conserve water via new or enhanced infrastructure per the Colorado River Drought Contingency Plan Authorization Act.

Similarly, the Army Corps of Engineers' Civil Works Public Private Partnerships Pilot Program enables it to accelerate project delivery and reduce costs, potentially for any combination of design, construction, financing, operation and/or maintenance. The Army Corps is also pursuing development of a Water Infrastructure Finance and Innovation Act (WIFIA) program to accelerate non-federal investments in water resources infrastructure. These types of funding programs are critical to incentivizing and expediting essential water infrastructure projects, including water recycling and desalinization projects, and they should be continued and augmented.

Optimizing Water Resources by Providing Tax Exemption for Water Conservation Rebates

Water supply and management utilities nationwide are implementing an ever-expanding array of effective conservation and management technologies and programs to preserve and extend limited water supplies. Water providers are broadly involved in water recycling, reuse and groundwater recharge programs designed to make the most efficient use of the water supplies available to them while better managing stormwater and reducing flooding impacts. Western urban agencies, in particular, have led the development and promotion of new conservation technologies from water pricing to lawn replacement, rain-gardens to storm and rainwater reuse, and low-flush toilets to gray-water systems. These activities directly benefit stormwater and water infrastructure and support conservation by extending the life of existing facilities and making water delivery and stormwater management more resilient, efficient and reliable.

A key aspect of these water management and saving programs is to incentivize customers to invest in measures and equipment that promote water conservation and stormwater management by providing rebates. Unfortunately, these rebates to customers by utilities are treated as taxable income under the Internal Revenue Code. This has discouraged customers from taking these commonsense actions.

Congress should amend the tax code to exempt water conservation and stormwater management rebates from taxable income. This would promote customer adoption of water-saving, stormwater management and water reuse measures. A tax exemption already exists for energy conservation rebates, and considering the commonly recognized energy-water nexus, there is a clear basis for also excluding water conservation and stormwater management rebates

from income tax for federal purposes. The fiscal impact on the Federal Treasury of excluding these rebates from taxable income would be minimal.

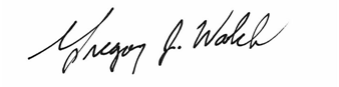
Addressing Water Equity and Environmental Justice

Infrastructure funding and financing programs should be designed to support affordability, access, and environmental justice concerns, with attention to underserved communities, previously redlined communities and tribal areas. Federal infrastructure funding is an opportunity to address issues around water equity. While financial incentives and support for infrastructure renewal and new infrastructure are very important and should ultimately help keep rates affordable and create new jobs over the long term, it will have little impact in the short term on challenges faced by the increasing number of people unable to keep up with their growing unpaid utility bills. Direct Federal support targeted toward helping those most in need catch up in the payment of their water utility bills should be included in planned pandemic support legislation.

In their everyday operations, water providers face pressure to maintain affordable rates for all customers despite increasing financial burdens of maintaining and reinvesting in their systems. Water providers have established community assistance programs, and in many cases have expanded these programs during the COVID-19 pandemic as greater percentages of their customers are unable to pay their bills. Providers have temporarily suspended shutoffs during these challenging times, but the impact to revenues is unsustainable. The $500 million for grants to States and Indian Tribes to assist low-income households with water and wastewater bills in the House budget reconciliation bill, the "American Rescue Plan Act of 2021," will go a long way in reducing the COVID-related debt burden on low-income households, and WUWC supports such critical legislation.

We look forward to working with the Administration and Congress to address these issues. For more information, please contact me at 702-258-7166 or greg.walch@lvvwd.com, or the WUWC national counsel, Don Baur at 202-654-6234 or dbaur@perkinscoie.com.

Very truly yours,



Gregory J. Walch
Chairman