WUWC
WESTERN URBAN WATER COALITION

March 17, 2021

The Honorable Thomas R. Carper
Chairman
U.S. Senate Committee on Environment and Public Works
United States Senate
513 Hart Senate Office Building
Washington, DC 20510

The Honorable Shelly Moore Capito
Ranking Member
U.S. Senate Committee on Environment and Public Works
United States Senate
172 Russell Senate Office
Building
Washington, DC 20510

Dear Senators Carper and Capito:

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

WUWC commends the efforts of the Senate Environment and Public Works Committee to address the crucial infrastructure needs now facing this country. The replacement of aging water infrastructure and the development of new water infrastructure are critical components of the infrastructure needs of our members as they work to plan and adapt to climate change. Increased temperatures and higher precipitation variability expected in western watersheds make robust and adaptable infrastructure and operating plans critical to successful climate change adaptation for western water utilities. Water infrastructure is needed to complement the significant water conservation, watershed protection and other steps already being taken by municipal water users

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

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 in major water infrastructure projects that western communities now rely on for safe and reliable drinking water supplies. Infrastructure investment partnerships between the federal government and private entities and local, state, and federal governments remain necessary today. Federal investment in the maintenance and replacement of existing, aging western water infrastructure as well as expansion to provide new infrastructure to support growing populations makes good economic sense. The resultant water supplies are the foundation for these vibrant economies seen across western communities.

As this Congress considers infrastructure legislation, WUWC offers the following recommendations to support the improvement and development of water infrastructure in the West.

Water Projects Are an Infrastructure Priority and Critical to Addressing Climate Change

Water projects designed to meet residential, commercial, industrial and agricultural uses, in combination with 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. In addition, federal water infrastructure funding is an enormously important tool in addressing 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. Western water supply is highly variable; it relies on snowpack and spring runoff, which historically fluctuate dramatically from year to year but have become even more volatile, variable and challenging due to climate change. Further, increasing large flood events demonstrate the vulnerability of existing infrastructure that was designed based on historic hydrology, which is no longer a dependable predictor of the future. To address these challenges, water providers need to ensure that their water infrastructure is more resilient.

Additionally, in the past, vast expanses of western forests were federally reserved lands to protect the watersheds that supply fresh water to western water users. Our forests are suffering from beetle kill, overgrowth and devastating, catastrophic wildfires, all a result of a warming climate. National forest lands are now in immediate need of restoration to reduce and prevent continued degradation. Legislation focused on investing in both this “green” infrastructure, which is designed to restore and protect the health of these forests and watersheds, and the water infrastructure necessary to place the water produced from these national forests to beneficial use, is paramount.

The coronavirus has created additional challenges for water providers. The recent American Rescue Plan will provide much needed relief to water customers in need. However, many public utility revenues continue to be negatively impacted as many businesses and individual customers have lost their employment or gig-work and have been unable to pay their bills due to business

shutdowns and associated layoffs or terminations. During this same time, utility costs have gone up as utilities have had to invest in the precautions necessary to protect their essential workforces. The added costs and the reduced revenue have resulted in a decline in monetary reserves for many water entities, further challenging their ability to address and pay for critical 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 designed to: (1) meet current and future water demands in light of a changing and variable climate; (2) protect vulnerable individuals and communities; (3) increase water system reliability and resiliency: (4) comply with water quality mandates; (5) mitigate water supply risks; (6) accelerate the pace and scale of forest management in water supply watersheds; and (7) 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 challenges to 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 transportation, storage and treatment projects to capture, retain, and efficiently use excess wet-year water so it is available during extended drought conditions for multiple beneficial uses including 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 public water, wastewater and stormwater utilities rebuild and expand critical aging infrastructure systems. 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. These projects provide important flexibility to water providers in managing their water resources and ensuring reliable water supplies. Reclamation also has funding available for Water Strategy Grants to enable water providers to establish or expand water markets or marketing activities which work 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 partnerships and identify prudent infrastructure investments needed to adapt to a changing climate.

Moreover, direct federal investment is critical to ensure that federal agencies can perform their part in advancing water infrastructure projects. For example, 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. The Army Corps is also implementing the new Corps Water Infrastructure Financing 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 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 utilities 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 by extending the life of existing facilities and making water delivery and stormwater management more resilient, efficient and reliable.

A key aspect of these 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. 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. WUWC strongly supports legislation such as is included in H.R. 848 at Section 305, "Modification to Income Exclusion for Conservation Subsidies."

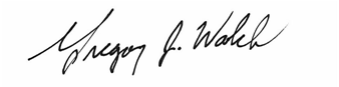
Addressing Racial Equity and Environmental Justice

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 racial equity. In their everyday operations, water providers face pressure to maintain affordable rates for all customers despite the increasing financial burdens associated with 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. Black, indigenous and people of color are disproportionately represented among those unable to pay utility bills so ratepayer assistance and infrastructure funding programs can both

help to advance racial equity goals. Financial incentives and support for infrastructure renewal and new infrastructure would play a significant role in keeping rates affordable and create new jobs for years to come.

We look forward to working with you 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