

H.R. _____, DRINKING WATER SYSTEM IMPROVEMENT ACT AND RELATED ISSUES OF FUNDING, MANAGEMENT, AND COMPLIANCE ASSISTANCE UNDER THE SAFE DRINKING WATER ACT

HEARING
BEFORE THE
SUBCOMMITTEE ON ENVIRONMENT
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTEENTH CONGRESS
FIRST SESSION

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H.R. ———, DRINKING WATER SYSTEM IMPROVEMENT ACT AND RELATED ISSUES OF FUNDING, MANAGEMENT, AND COMPLIANCE ASSISTANCE UNDER THE SAFE DRINKING WATER ACT

FRIDAY, MAY 19, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ENVIRONMENT,
COMMITTEE ON ENERGY AND COMMERCE
Washington, DC.

The subcommittee met, pursuant to call, at 8:30 a.m., in room 2123, Rayburn House Office Building, Hon. John Shimkus, (chairman of the subcommittee) presiding.

Present: Representatives Shimkus, McKinley, Barton, Murphy, Harper, Johnson, Hudson, Walberg, Carter, Walden (ex officio, Tonko, Ruiz, Peters, Green, McNerney, Dingell, Matsui, and Pallone (ex officio).

Staff Present: Grace Appelbe, Legislative Clerk, Energy/Environment Subcommittees; Ray Baum, Staff Director; Mike Bloomquist, Deputy Staff Director; Jerry Couri, Chief Environmental Advisor; Jordan Davis, Director of Policy and External Affairs; Wyatt Ellertson, Research Associate, Energy/Environment Subcommittees; Blair Ellis, Digital Coordinator/Press Secretary; Adam Fromm, Director of Outreach and Coalitions; Tom Hassenboehler, Chief Counsel, Energy/Environment Subcommittees; Zach Hunter, Director of Communications; A.T. Johnston, Senior Policy Advisor, Energy Subcommittee; Alex Miller, Video Production Aide and Press Assistant; Dan Schneider, Press Secretary; Sam Spector, Policy Coordinator, Oversight and Investigations Subcommittee; Hamlin Wade, Special Advisor, External Affairs; Jeff Carroll, Minority Staff Director; Jacqueline Cohen, Minority Chief Environment Counsel; David Cwiertny, Minority Energy/Environment Fellow; Rick Kessler, Minority Senior Advisor and Staff Director, Energy and Environment Subcommittees; Alexander Ratner, Minority Policy Analyst; Andrew Souvall, Minority Director of Communications, Outreach and Member Services; and C.J. Young, Minority Press Secretary.

OPENING STATEMENT OF HON. JOHN SHIMKUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SHIMKUS. I would like to call the hearing to order.
And I want to thank our witnesses for joining us today.

First of all, I know it is early. The one thing that is certain about us in Washington, D.C., is that there is uncertainty around us. So because of other meetings scheduled and planned, we asked for you to come early. And I do personally appreciate it. And it shows you the interest of our colleagues that they are here this early, so that is great.

No matter how many miles you travel—first of all, we have got folks from as far away as Alaska and as close as Pennsylvania here. No matter how many miles you have traveled to be with us, we are grateful for the time and financial sacrifice you are making to share your expertise with us today.

I also want to mention that even though they did not send someone to present oral testimony, I appreciate the Environmental Protection Agency providing us with a written statement to include in our hearing record. I ask for unanimous consent.

Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. SHIMKUS. And I am also pleased to announce that the Agency has agreed to take written questions from members for our hearing record. This is highly unusual but an essential step to making this hearing record as complete as possible. And we obviously consider the Agency an important player whose technical experience and input is critical to the quality of our work.

I now recognize myself 5 minutes for giving an opening statement.

Today, our panel continues its look broadly at our Nation's drinking water infrastructure structure and examine questions as to what is necessary for the Federal Government to do in the way of planning, reinvestment, and technical support of these systems to meet future needs.

The discussion draft which is subject to the hearing is meant to build on the testimony from our last hearing to help our subcommittee think more precisely about what items should be prioritized for legislation and how they should be addressed in the legislation.

Importantly, the discussion draft is not a finite universe of all the issues that the committee is open to considering. It is a true baseline for conversation and an invitation for feedback or refinements or suggested alternative approaches and an opportunity to make the case for including additional issues.

I know that some of us here today are curious why one provision or another is not added. I hope we can talk about those things today. I suspect we might be able to find agreement on some of those issues after we have had some time to find out each other's objectives and reflect on the best way to balance the needs of water, consumers, providers, and program implementers.

Let me take a minute to explain some items in the discussion draft, why they are there.

Based on oral testimony and written responses for the record, the water utility groups that testified at the last hearing talked about the importance of partnerships for addressing growth and compliance issues. The discussion draft proposes language to allow contractual arrangements or management of engineering services that will get a water system into compliance.

Under questioning, many of the witnesses mentioned the important role that asset management can play in addressing short- and long-term water system needs but that mandating this requirement would be challenging. The discussion draft has states consider how to encourage best practices in asset management and has the EPA update technical and other training materials on asset management.

We received testimony on the need to further aid disadvantaged communities. The discussion draft increases the amount a state can dedicate to disadvantaged communities to 35 percent of their annual capitalization grant and permit states to extend loan payments for these communities by another 10 years.

We received testimony on the need to increase funding for the Drinking Water State Revolving Loan Fund and the Public Water System Supervision grant, but not specific recommendations about what a realistic number is or whether commensurate budgetary cuts will offset these increases.

In response to this, the discussion draft creates a 5-year authorization for appropriations of both these programs but leaves them blank to allow a greater and more specific conversation to occur. This will not be easy. Some of these conversations will be very difficult, but we will have to have them in an open and honest manner, but that is not new. Anyone who has been around our subcommittee for a while knows we have a reputation for tackling challenging issues.

As I said earlier, we are at the beginning of this journey with a discussion draft as a baseline, and we are not close to the finish line as of yet.

With that, I yield back my remaining time. And now I yield to my friend from New York, the ranking member, Mr. Tonko.

[The prepared statement of Mr. Shimkus follows:]

PREPARED STATEMENT OF HON. JOHN SHIMKUS

The Subcommittee will now come to order.

I want to thank our witnesses for joining us today, one from as far away as Alaska and the other as close as Pennsylvania. No matter how many miles you traveled to be with us, we are grateful for the time and financial sacrifice you are making to share your expertise with us today.

I also want to mention that, even though they did not have send someone to present oral testimony, I appreciate that the Environmental Protection Agency provided us written statement to be included in our hearing record, so ordered.

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The Discussion Draft, which is the subject of the hearing, is meant to build on the testimony from our last hearing and help our subcommittee think more precisely about what items should be prioritized for legislation and how they should be addressed in that legislation.

Importantly, the Discussion Draft is not a finite universe of the issues that the Committee is open to considering. It is a true baseline for conversation and an invitation for feedback on refinements or suggested alternative approaches and an opportunity to make the case for including additional issues.

I know that some of us here would be curious why one provision or another is not added, I hope we can talk about those things today. I suspect we might be able to find agreement on some of those issues after we have had some time to find out each other's objectives and reflect on the best way to balance the needs of water consumers, providers, and program implementers.

Let me take a minute to explain some items in the Discussion Draft and why they are.

Based on oral testimony and written responses for the record, the water utility groups that testified at the last hearing talked about the importance of partnerships for addressing growth and compliance issues. The Discussion Draft proposes language to allow contractual arrangements for management and engineering services that will get a water system into compliance.

Under questioning, many of the witnesses mentioned the important role that asset management can play in addressing short and long-term water system needs, but that mandating this requirement would be challenging. The Discussion Draft has States consider how to encourage best practices in asset management and has EPA update technical and other training materials on asset management.

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We received testimony on the need to increase funding for the Drinking Water State Revolving Loan Fund and the Public Water System Supervision grants, but not specific recommendations about what a realistic number is—or whether commensurate budgetary cuts will offset these increases. In response to this, the Discussion Draft creates 5-year authorizations for appropriations of both of these programs, but leaves them blank to allow a greater and more specific conversation to occur.

This will not be easy—some of these conversations will be very difficult, but we will have to have them in an open and honest manner, but this is not new. Anyone who has been around our subcommittee for a while knows we have a reputation for tackling challenging issues.

As I said earlier, we are at the beginning of this journey—with the Discussion Draft a baseline—and we are not close to the finish line.

With that, I yield back my remaining time and now yield to my friend from New York, the Ranking Member of the Subcommittee, Mr. Tonko.

OPENING STATEMENT OF HON. PAUL TONKO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. TONKO. Thank you, Chairman Shimkus. And thank you to our witnesses for being here on what is apparently a very busy morning in the House.

We can all agree that aging drinking water systems can hold back economic growth and threaten public health. These problems will only get worse if we continue the decade's long trend of neglect. I know we have limited time, so I will not restate all the details of our growing national need to invest in drinking water systems and update the Safe Water Drinking Water Act. Suffice it to say, the need is immensely great. This subcommittee has been building a tremendous record that more than justifies the need for action.

Mr. Chair, I appreciate you holding this hearing and offering the discussion draft to bring attention to our hidden infrastructure, which has been out of sight and, regrettably, out of mind for far too long.

This draft responds to many of the issues that have been identified in previous hearings: the need to reauthorize the Drinking Water SRF and the Public Water System Supervision program; as well as the need to encourage asset management plans, greater

source water protection, and support for disadvantaged communities.

With that said, I truly believe we can improve upon the draft before us today which will ensure strong bipartisan support moving forward. There are a number of democratic bills that have already been introduced that can help inform these efforts. The AQUA Act includes provisions on how to further assist disadvantaged communities and better incentivize asset management plans. It would also help fulfill a stated goal of this administration mandating Buy America requirements.

Mr. Pallone's SDWA amendments would enable EPA to promulgate much needed national standards. The bill also creates programs to reduce lead in schools among other important SDWA updates.

Mr. Peters has a bill to provide grants to assist systems with resiliency, source water protection, and security in the face of changing hydraulic conditions, such as droughts, sea level rise, and other emerging pressures on systems.

We do know the national need is growing: \$384 billion over the next two decades to maintain current levels of services. We need to have the vision to acknowledge that this does not account for stresses, environmental and financial, that will continue to get worse if we simply do nothing.

Finally, the Drinking Water SRF has been a tremendous success. I am grateful that Chair Shimkus has undertaken the first funding reauthorization since its inception in 1996. But as we will hear today, the draft includes unspecified funding levels.

As a candidate, President Trump called for tripling funding for both SRF programs. The AQUA Act proposes levels that are in line with that—with what states handled following the Recovery Act. I think these are good targets to start negotiations.

We must recognize that local governments are struggling. Significant amounts of projects go unfunded each year, and the status quo of Federal support will simply not reduce the massive and growing levels of need. It is time for the Federal Government to step up and contribute its fair share.

Mr. Chair, I would end by asking for a commitment to sit down with our side, learn more about some of our proposals, and work together to make this a truly bipartisan effort that moves us forward. We had close cooperation on the brownfields reauthorization draft. I think we can get to a similar place on drinking water.

And with that, I yield back.

Mr. SHIMKUS. I thank the gentleman. The gentleman yields back.

The chair now recognizes the Chairman of the Full Committee, Mr. Walden, for 5 minutes.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Thank you, Mr. Chairman.

In March, our committee began a review of the financial needs of our entire Nation's drinking water infrastructure. We spoke about the need to think broadly about all things that can affect water affordability, reliability, and safety. Today, we take the next steps in our deliberative process by reviewing the discussion draft

and related ideas from stakeholders to formulate policy on drinking water, state revolving loan funding, and Public Water System Supervision grants.

We will also examine efforts to improve asset management by utilities and other ways to lift paperwork burdens and improve systems delivery of safe drinking water.

Both sides of the aisle support making newer and larger investments in our Nation's infrastructure, and I agree that we need to help ensure these assets support the great quality of life Americans enjoy. However, in doing so, we must be careful to select wise investments and create diversified options that make sense for water systems, for states, and for consumers. It is important for us to tackle this job seriously for a couple of reasons.

As we learned at the last hearing, the country's drinking water delivery systems are facing the challenges of older age. We learned from the water utilities and other stakeholders the importance of partnerships for addressing growth and compliance issues.

The discussion draft proposes language to allow contractual arrangements for management and engineering services that will get a water system into compliance. We welcome feedback on that approach.

We also received testimony on the need to increase funding for the Drinking Water State Revolving Loan Fund and Public Water System Supervision grants, but not specific recommendations about what a realistic number is or whether budgetary cuts will offset these increases.

For the last couple of years, the appropriated levels have been consistent. The appropriations for the Drinking Water Revolving Loan Fund were last authorized in 2003. That is long enough. It is time to reassert this committee's proper role in authorizing our statutes and realign the focus of the EPA and other agencies back to their core missions, in this case, ensuring the provision of safe drinking water for our Nation's consumers.

We look forward to continuing the dialogue on this as our committee process continues.

I want to welcome all of you here today, our witnesses, who took time and traveled from far and wide to be with us to comment on this discussion draft, and that is what it is. Your input is important, and we would appreciate specific recommendations as you are able to give on these important issues.

And, again, thank you all for being here. We all care deeply about drinking water, safe drinking water, and helping our communities achieve that for all of our citizens in the country.

And with that, Mr. Chair, I yield back the balance of my time.
[The prepared statement of Mr. Walden follows:]

PREPARED STATEMENT OF HON. GREG WALDEN

In March, our committee began a review of the financial needs of our entire nation's drinking water infrastructure. We spoke about the need to think broadly about all the things that can affect water affordability, reliability, and safety.

Today we take the next steps in our deliberative process by reviewing a discussion draft and related ideas from stakeholders to formulate policy on drinking water state revolving loan funding and public water system supervision grants. We will also examine efforts to improve asset management by utilities, and other ways to lift paperwork burdens and improve systems' delivery of safe drinking water.

Both sides of the aisle support making newer and larger investments in our nation's infrastructure and I agree that we need to help ensure these assets support the great quality of life Americans enjoy in the future. However, in doing so, we must be careful to select wise investments and create diversified options that make sense for water systems, states, and consumers. It is important for us to tackle this job seriously for a couple reasons.

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We also received testimony on the need to increase funding for the Drinking Water State Revolving Loan Fund and the Public Water System Supervision grants, but not specific recommendations about what a realistic number is—or whether budgetary cuts will offset these increases. For the last couple years, the appropriated levels have been consistent; the appropriations for the Drinking Water Revolving Loan Fund were last authorized in 2003. That is long enough. It is time to reassert this committee's proper role in authorizing our statutes, and realign the focus of the EPA and other agencies back to the core missions: in this case ensuring the provision of Safe Drinking Water for our nation's consumers. We look forward to continuing the dialogue on this as our process continues.

I want to welcome all our witnesses who took time and traveled from far and wide to be with us to comment on the discussion draft. Your input is important, and we would appreciate as specific of recommendations as you are able to give on these important issues.

Mr. SHIMKUS. The gentleman yields back the balance of his time.

The chair now recognizes the Ranking Member of the Full Committee, Mr. Pallone, for 5 minutes.

OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Mr. Chairman. Thank you.

The safety of our drinking water is an incredibly important topic which deserves more time than we have at today's hearing.

At our last drinking water hearing, we heard broad agreement from witnesses and members that we need to reauthorize the Drinking Water State Revolving Fund and increase the funding. My democratic colleagues and I have been saying this for years, so I am encouraged that Republicans on this subcommittee now seem to agree.

Unfortunately, this rushed hearing is not sufficient to address this issue. We have great ideas, but they are not reflected in the barebones discussion draft. We need a bipartisan effort to modernize the Safe Drinking Water Act, but in preparing this discussion draft, your staff didn't consult with us. We were eager to work with you, but we were told, without explanation, that such discussions could only happen after this hearing.

So before us today is a discussion draft that, in my opinion, fails to measure up to the severity of the problem. It simply does not meet the needs of public water systems and the communities they serve. The draft contains nothing to address the growing problems of lead in drinking water in homes and schools. It does nothing to improve the regulatory process and better protect public health from new and emerging pollutant classes, and it does nothing to improve transparency and restore consumer confidence in the safe-

ty of our tap water, and there is no commitment to increase funding.

So I am disappointed in the discussion draft, and I urge my colleagues to look at the real solutions in the bills that my democratic colleagues and I have introduced, and that is H.R. 1071, the AQUA Act of 2017, and H.R. 1068, the Safe Drinking Water Act Amendments of 2017.

I want to thank our witnesses for coming. I apologize that we don't have more time available, but I also want to express my frustration at the lack of a witness from the EPA. This subcommittee cannot produce meaningful legislation to reauthorize the state revolving fund and strengthen the Safe Drinking Water Act without their input. So it is clear we need to have another hearing.

Safe drinking water is simply too important, and I hope we can start to work together on a bipartisan bill to tackle these serious problems.

I yield back, Mr. Chairman.

Mr. SHIMKUS. The gentleman yields back his time.

All members having concluded their opening statements, the chair would like to remind members that pursuant to the Committee rules, all members' opening statements will be made part of the record.

I want to thank all of our witnesses for being here today and taking the time to testify before the subcommittee. Today's witnesses will have the opportunity to give opening statements, followed by a round of questions from members. Our witness panel for today's hearing are in front of us.

What I will do is recognize you individually for 5 minutes. Your full statements are submitted for the record. And as you can see, there is a lot of interest from our side. So if you get too far over the 5 minutes, I might start tapping the gavel to get you to wind up.

And before I take more time, let me just start by recognizing Mr. Martin Kropelnicki, President and CEO of the California Water Services Group, on behalf of the National Association of Water Companies. He testified here before. We are glad to have you back.

You are recognized for 5 minutes.

STATEMENTS OF MARTIN A. KROPELNICKI, PRESIDENT AND CEO, CALIFORNIA WATER SERVICE GROUP, ON BEHALF OF THE NATIONAL ASSOCIATION OF WATER COMPANIES; SCOTT POTTER, DIRECTOR OF NASHVILLE METRO WATER SERVICES, NASHVILLE, TN, ON BEHALF OF THE AMERICAN MUNICIPAL WATER ASSOCIATION; STEVE FLETCHER, MANAGER, WASHINGTON COUNTY WATER COMPANY, NASHVILLE, IL, ON BEHALF OF THE NATIONAL RURAL WATER ASSOCIATION; LISA DANIELS, DIRECTOR, BUREAU OF SAFE DRINKING WATER, PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, ON BEHALF OF THE ASSOCIATION OF STATE DRINKING WATER ADMINISTRATORS; KURT VAUSE, SPECIAL PROJECTS DIRECTOR, ANCHORAGE WATER AND WASTEWATER UTILITY, ON BEHALF OF THE AMERICAN WATER WORKS ASSOCIATION; LYNN THORP, NATIONAL CAMPAIGNS DIRECTOR, CLEAN WATER ACTION; AND JAMES PROCTOR, SENIOR VICE PRESIDENT AND GENERAL COUNSEL, MCWANE, INC.

STATEMENT OF MARTIN A. KROPELNICKI

Mr. KROPELNICKI. Thank you, Mr. Chairman.

Good morning. I am Marty Kropelnicki, President and CEO of California Water Service Group, or Cal Water. We provide water and wastewater services to approximately 2 million people in the great State of California, Hawaii, New Mexico, and Washington, State of Washington. I am also the current President of National Association of Water Companies, which I am here representing today. NAWC's members have provided water and utility services for more than 200 years, and they serve approximately 25 percent of the U.S. population.

NAWC applauds you, Mr. Chairman, and this subcommittee for highlighting America's drinking water infrastructure needs and putting forward a discussion draft amendment to the Safe Drinking Water Act for utilities and regulators to review.

We are all working together toward the same outcome: safe, reliable, sustainable high-quality drinking water, which is critical to every person, every community, and every business in this country.

Suffice it to say that substantial portions of the utility sector face significant challenges. The Nation's drinking water infrastructure recently received a D by the American Society of Civil Engineers. The American Water Works Association projects that \$1 trillion will be needed to invest infrastructure through 2035 to replace aging infrastructure to keep up with population growth.

More ominously, recent reports by the Natural Resources Defense Council showed that nearly one in four Americans get drinking water from untested and contaminated systems.

With great challenges come great opportunities, and that is what we are here to talk about today. The discussion draft put forward by the subcommittee is a good first step to addressing the crisis. Legislation along these lines would do much to build upon and advance the good work of many water suppliers that are already undertaken.

For example, NAWC estimates that our six largest members, of which Cal Water is one, will invest in nearly \$2.7 billion this year

alone in their water systems to ensure that they remain safe, reliable, and are sustainable for decades to come.

Federal funds alone will not fix this problem, especially given that many of the problems are the results of poor decisionmaking year after year after year and not necessarily the absence of funding.

Let me highlight for you several recommendations for Congress to consider. First, we must ensure that any Federal funds are used efficiently and effectively. NAWC and its members support the EPA's 10 attributes of effective utility management, which includes things such as financial viability and infrastructure stability.

Applicants for dollars of public funds should demonstrate that there are management assets that adequate repair, rehabilitation, and replacement are fully reflected in management decisions, including water rates that reflect the true and full cost of service.

Second, failing systems that are in seriously noncompliant situations with water quality standards must be held accountable. If a system is plagued with a history of serious noncompliance, it should be given an option to pursue a partnership that will lead to compliance or be compelled to consolidate system with an able owner or operator.

Finally, as Congress considers future funding for drinking water programs, NAWC recommends that the private water sector not only have equal access to Federal funding but also that steps be taken to further enable and incentivize private water investment and involvement in solving the Nation's infrastructure challenges.

Apart from the more obvious tax-based measures, these incentives should include providing a safe harbor or a shield that would allow companies like Cal Water or NAWC members to partner with undercompliant systems and give them that ramp-up time to be coming into compliance.

Quite simply, private water companies like Cal Water and NAWC members have the financial balance sheets, managerial and technical expertise to help ensure that all Americans have safe, reliable, and sustainable high-quality drinking water.

I sincerely appreciate the invitation to come back here today to testify. Along with my colleagues at NAWC, we look forward to continuing our work with you and this committee as we work on the Nation's infrastructure challenges.

Thank you. And I would be happy to respond to any questions, Mr. Chairman.

[The prepared statement of Mr. Kropelnicki follows:]



**Testimony of Martin A. Kropelnicki
President and CEO, California Water Service Group
President, National Association of Water Companies**

**H.R. _____, Drinking Water System Improvement Act and Related
Issues of Funding, Management, and Compliance Assistance Under
the Safe Drinking Water Act.**

Presented on behalf of the National Association of Water Companies

**House Energy and Commerce Committee
Subcommittee on Environment
May 19, 2017**

Good morning, Chairman Shimkus, Ranking Member Tonko, and Members of the Subcommittee. Thank you for the opportunity to discuss efforts to improve the federal Safe Drinking Water Act. We appreciate the opportunity to comment on the Committee's discussion draft legislation.

I am Marty Kropelnicki, President and CEO of California Water Service Group (Cal Water), the third largest publicly traded water and wastewater utility company in the United States. I had the pleasure of appearing before this Subcommittee in March to discuss the challenges facing the water industry and the nation's drinking water infrastructure. I am pleased to be here today to continue exploring solutions to these challenges.

I am also the President of the National Association of Water Companies (NAWC) – the association that represents the regulated private water utility service industry and professional water management companies. NAWC's core belief is that by embracing the powerful combination of public service and private enterprise, we can improve our nation's water infrastructure, and by doing so, ensure that all Americans and future generations have access to safe, reliable, and high-quality water utility service.

NAWC applauds you, Mr. Chairman, and this Subcommittee for highlighting America's drinking water infrastructure needs and for putting forward a discussion draft of amendments to the Safe Drinking Water Act for utilities and regulators to review. We are all working toward the same outcome - safe, reliable, and high-quality drinking water, which is critical to every person, community, and business in this country. NAWC's members are proud to provide these services to our customers.

NAWC members are located throughout the nation and range in size from large companies that own, operate, or partner with hundreds of systems in multiple states to individual utilities serving a few hundred customers. Through various innovative business models, NAWC's members serve more than 73 million Americans, nearly a quarter of our country's population.

Cal Water, for one, provides water and wastewater service to approximately two million people in California, Hawaii, New Mexico, and Washington. Every day, Cal Water treats and delivers more than 320 million gallons of drinking water to our customers. For us, there is nothing more important than protecting our customers' health and safety, and working each and every day to ensure they have safe,



high-quality water each time they turn on the tap.

There are two key areas that I will focus on today as they relate to the discussion draft before us. First, there is a need to embrace and enact effective utility management practices and accountability for all water systems – whether these systems are public or private. Second, there is a need to address those drinking water systems that are consistently non-compliant with federal health and safety standards. Working on these two critical areas can help improve the drinking water systems across the country while also ensuring that limited federal dollars are spent efficiently and wisely.

Private Utility Role in Meeting the Nation's Drinking Water Needs

Let me start by providing some background on the private utility role in meeting today's drinking water needs. Private water systems have existed in the United States for more than 200 years. Today, the private water utility sector is highly regulated by state public utility commissions (PUCs), which set water rates; the U.S. Environmental Protection Agency, which sets federal drinking water quality standards; and various state agencies, which are also responsible for setting water quality standards and protecting public health. The private water utility sector focuses on long-term planning by making appropriate and necessary infrastructure investments in our nation's communities. As a result, private water companies have a proven track record of consistently meeting the drinking water needs of consumers in many areas of the country.

The private sector is already helping overcome water infrastructure challenges facing the country. Ensuring the high standard of quality that private water companies deliver requires extraordinary amounts of capital investment. NAWC estimates that its six largest members alone are collectively investing nearly \$2.7 billion each year in their water systems – and these six companies provide service to about six percent of the U.S. population. In Cal Water's case, we are budgeting to invest about \$1 billion in our water systems over the next five years.

It is significant that six of NAWC's members are collectively investing nearly \$2.7 billion in their water systems when one considers that the current total federal appropriation for the Clean Water and Drinking Water State Revolving Fund (SRF) programs is approximately \$2.3 billion annually.

One of the factors that enable the private water sector to undertake such significant levels of

investment is outstanding credit ratings. In fact, the corporate credit ratings of some of NAWC's members are amongst the highest in the U.S. For example, Cal Water's first mortgage bonds are currently rated AA-, and Cal Water has the highest credit rating of any utility in the U.S., as rated by Standard & Poor's.

In addition to helping to ensure our customers have safe, reliable, and high-quality water utility service, NAWC members provide significant economic benefits to the communities we serve. We pay federal and state income taxes, local property taxes, local pump taxes, and permit fees for projects, all of which provide much needed revenue to all levels of government in the country. We hire local employees, and provide them with good-paying jobs and competitive benefits. We procure local goods and services. And to help ensure our medium- and long-term financial stability, our employees' retirement benefits are fully funded as required by Generally Accepted Accounting Principles. All of these things contribute to the economic multiplier effect that benefits the regions and communities that we serve.

Perhaps most importantly, NAWC's members work diligently with our public health and economic regulators to ensure that we meet federal and state water quality and customer service standards every day. For example, a review of the EPA's enforcement database shows that there are more than 2,000 public water systems in the country that are deemed serious violators of the nation's drinking water standards. Yet, not a single one of those systems is owned and operated by one of NAWC's members. This fact confirms earlier research conducted by American Water Intelligence, which found that the "compliance record of major companies in the private water utility sector has remained nearly spotless."¹

In summary, the private water utility sector stands able, ready, and willing to partner with local and state governments, as well as the federal government, to help meet the challenges our nation's water infrastructure will face in the coming years and decades. In addition to supplying necessary capital, private water companies can leverage decades of experience solving complex water challenges to help bring new water infrastructure projects online more quickly and efficiently.

¹ American Water Intelligence, "Data Show IOUs a Cut Above in SDWA Compliance," October 2012, p. 10.

Effective Utility Management and Accountability

Our water infrastructure systems are the backbone upon which communities are built. Water service is a critical part of the physical platform of the U.S. economy. Not a single business in any community can be established, let alone survive and thrive, without a sustainable water supply. Communities must have reliable, resilient, and sustainable water infrastructure systems to attract and retain industry, business, and qualified workers. Simply put, capital investment in water infrastructure means job creation across the country.

Unfortunately, aging and deteriorating water systems threaten economic vitality and public health, and communities nationwide are faced with massive fiscal challenges to replace critical water and wastewater infrastructure and effectively manage their systems. After all, water systems are one of the most expensive assets for a community to maintain, and many municipally-owned utilities simply cannot afford to properly maintain, let alone improve and modernize, their infrastructure. They have a limited revenue base, which must be used to meet all of the needs of the community, including everything from street maintenance to public safety, not just water and wastewater services. Oftentimes, these fiscal challenges exacerbate the fact that many municipally-owned suppliers are not subject to stringent oversight of their operations and have not implemented best management practices designed to ensure the safety and reliability of the service they provide their customers.

NAWC and its members support the Environmental Protection Agency's (EPA) ten attributes of effective utility management endorsed by all major water and wastewater associations, including the American Water Works Association (AWWA), National Association of Clean Water Agencies (NACWA), Water Environment Federation (WEF), Association of Metropolitan Water Agencies (AMWA), Association of Drinking Water Agencies (ASDWA), and the Association of Clean Water Administrators (ACWA). The attributes include priorities such as financial viability, infrastructure stability, and operational resiliency, which reflect the basics of financial, technical and operational capacity of sustainable utility management.

Failing and noncompliant water systems not only create a growing financial burden, but they pose significant risks to public health and the environment. The fact that there are thousands of water systems across the country in significant noncompliance with the nation's drinking water standards is

both unacceptable and unsustainable. If we are to change the status quo, we must offer more “carrots and sticks” in the regulatory toolbox.

As a good first step, and as a general rule, applicants for public dollars should demonstrate that they have fully accounted for the long-term costs of their projects, including any risks inherent in construction, operations, and/or maintenance, and have selected the delivery model that provides the best long-term value to the water supplier’s customers. For a community to maintain and improve the condition of its infrastructure, and to ensure its long-term safety and reliability, water utilities should be expected, at a minimum, to manage their assets based on a process where adequate repair, rehabilitation, and replacement are fully reflected in management decisions and fully accounted for in water rates.

On this latter point, it is important to note one of the core differences between regulated private water utilities, like Cal Water, and some of their public counterparts. The water rates charged by regulated private water utilities are set by state public utilities commissions to ensure they reflect the actual cost of service, including the cost of capital, as well the costs of operating, maintaining, and upgrading their water systems. Regulated utilities do not rely on other sources of revenue that are not related to the water system, such as sales or property tax revenue. Nor can money customers pay to receive water service be diverted to other uses, which too often happens in some municipal systems. Not only does this approach send an efficient price signal to customers, but it also helps to ensure that the utility remains financially stable and is able to maximize the efficiency and service life of its water system infrastructure.

As well, we would be wise to assess impediments to effective utility management resulting from local procurement processes. Public procurement today tends to overvalue low initial costs and undervalue future obligations, rewarding bidders who can build cheaply, rather than those who offer the best value over a project’s lifecycle. The end result is oftentimes higher operations and maintenance costs, and as repairs go unaddressed, water system infrastructure fails prematurely, resulting in expensive rebuilds and threats to public health. This is unacceptable and fiscally irresponsible.

Partnerships and Consolidation



We appreciate the Committee's inclusion in the discussion draft of language related to the need for asset management plans. This is an important step but we would ask the Committee to consider a more robust approach.

Drinking water systems must be expected to maintain their assets and operations in compliance with health-based laws. One option to help struggling systems that is currently under discussion is to encourage these systems to pursue partnerships *in lieu* of traditional enforcement.² Alternatively, when a return to compliance is unlikely to occur, the State should compel the transfer of water systems assets and/or operational control over the water system to a supplier with a proven track-record of effectively operating, maintaining, and upgrading its water systems. NAWC recognizes that traditional enforcement tools, such as administrative orders and civil penalties, are not always appropriate or practicable. However, if we are to address the nation's drinking water challenges, we must expect failing systems to do things differently and, in terms of compliance with water quality regulations, all water suppliers – public or private – need to be held to the same standard.

In this regard, NAWC has been working closely with other water groups to promote legislation that would encourage partnerships, ranging from peer-to-peer support and public-private partnerships (P3s) to transfer and consolidation. We simply cannot continue to expect failing systems to change unless good decision-making is incentivized, bad decision-making is discouraged by holding utilities accountable, and federal funds are targeted in a way to ensure they are being used efficiently and cost-effectively.

While NAWC and its members are mindful of the socioeconomic and financial complexities associated with our nation's growing water crisis, water suppliers must be held accountable when their water systems fail. We should expect communities to proactively seek assistance and support or they should get out of the business of water provision. Year after year there is talk of the growing water crisis, yet little is done to actually address it and the number of customers exposed to water that does not meet minimum water quality standards continues to grow.

² This approach has been endorsed by the Business Roundtable in a report release this week titled "Back to Business: A Blueprint for Renewing America's Infrastructure," available at: <http://bit.ly/2pWRcf9>.

What is truly needed to address these kinds of compliance issues is a willingness to explore innovative solutions such as partnerships and incentivized consolidation. While many communities continue to clamor for more federal funding, more funding is not going to solve this growing crisis. In many cases, water system failures – be they related to water quality, reliability, or both – are not solely due to the absence of funding, but rather are directly attributable to the failure of proper governance, poor decision-making, and lack of stringent oversight.

There are numerous opportunities for these kinds of partnerships to be employed across the country. For example, there are currently several thousand public water systems that the EPA has deemed serious violators of federal drinking water standards. Many of these communities are simply unable to address these violations on their own, and they would benefit from a partnership with either the private sector or even a neighboring municipality.

Several states have already made progress in effectively utilizing partnership and consolidations. Kentucky, for example, has been a national leader in incentivizing the consolidation of public water systems. Over the last several decades, Kentucky has been able to consolidate more than 2,100 public water systems to less than 400 systems today. Similarly, in 2015, California enacted Senate Bill 88 that authorized the State Water Board to require systems that consistently failed to meet public health standards to consolidate with other systems through physical or managerial consolidation.

We recognize there are small and rural communities where few, if any, viable partnership options exist. It is in these cases where federal funding and technical assistance can be the most beneficial. Doing more to encourage and incentivize partnerships and consolidation where they are viable would allow Congress to reprioritize federal funding and technical assistance toward those systems and communities where partnerships and consolidation are not viable.

While these types of public-private partnerships are, in many cases, an efficient and cost-effective solution, there are numerous impediments to their expanded use, including the legal and financial liabilities of distressed systems. Such liabilities for past noncompliance, which can range from hundreds of thousands to millions of dollars, can be a “poison pill” to a prospective new operator or owner. To solve this problem, Congress should consider providing a more robust legal “safe harbor” to encourage

more private sector participation, including investment. Without such liability relief, significant amounts of private capital and investment remain on the sideline.

Performance and Full Access

All water suppliers in the country – whether they are government- or privately owned – are public service providers and their customers are comprised of taxpayers who fund programs such as the State Revolving Fund (SRF) programs. Despite this, there has been a long-standing prohibition against private entities from receiving Clean Water SRF funding for treatment works and, although the EPA does not prohibit such access to the Drinking Water SRF, no fewer than 12 states have adopted such blanket prohibitions.³ Congress should seek to correct this imbalance by making future SRF funding contingent on states giving all water suppliers equal opportunity to apply for these funds.

Additionally, in 2003, the EPA established its Four Pillars of Sustainable Infrastructure, one of which was full-cost pricing. The principle was established based on a 2002 Government Accountability Office (GAO) report that found that 29 percent of drinking water utilities were not generating enough revenues, and 43 percent of those received some form of federal or state grant or loan.⁴ Further, more than one in four utilities failed to have plans to manage existing capital assets, and more than half of the utilities with plans did not cover all of their assets or omitted key elements, such as an assessment of capital conditions. Things have not changed over the last 15 years. In fact, the situation has only gotten worse and the infrastructure funding gap continues to widen.

Toward this end, we believe it is time that those utilities that receive federal assistance be expected to develop and implement a financial plan that covers not only capitalization costs, but operation and maintenance, and rehabilitation and repair costs. We must expect performance in terms of meeting federal and state standards, protecting public health, and providing cost-effective services, not more of the status quo. Failing systems should no longer be subsidized without an expectation of financial and

³ Alabama, Arkansas, Colorado, Georgia, Kansas, Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma, Tennessee, and Wyoming. See, May 3, 2017, Congressional Research Service, *Drinking Water State Revolving Fund: Program Overview and Issues*, available at <https://fas.org/sgp/crs/misc/RS22037.pdf> (last visited May 13, 2017).

⁴ See, GAO Report, April 11, 2002, *Drinking Water Infrastructure, Information on Estimated Needs and Financial Assistance*, available at <http://www.gao.gov/assets/110/109253.pdf> (last visited May 13, 2017).

operational viability.

Quite simply, full-cost pricing of water utility service is the single most important element of any strategy to improve the nation's drinking water infrastructure and compliance with the country's water quality standards. Full-cost pricing helps to ensure the financial viability of water suppliers, which then enables the supplier to undertake needed maintenance of and upgrades to its facilities, both of which play a critical role in the supplier's ability to provide safe and high-quality water to its customers.

This transition to full-cost pricing should, however, be accompanied by adequate financial support to assist economically distressed communities and low-income households. In this regard, Congress may wish to consider providing relief directly to challenged and low-income customers. Currently, federal funds flow directly to water utilities, which enables them to charge lower rates to all of their customers, including those who are not facing any type of economic hardship. A more efficient approach may be to transfer funds directly to challenged and low-income customers, similar to the Low Income Home Energy Assistance Program for gas and electric customers.

Conclusion

Our current water infrastructure crisis has been in the making for several decades, and it may take several decades to change the direction and right the ship. Today's dwindling resources and increasing demand for safe, reliable, and high-quality water require a fundamentally different approach than what we have taken over the last several decades.

The discussion draft in front of the Committee today is a good first step to addressing this crisis. As outlined in my testimony, we have specific suggestions related to effective utility management, partnerships, and the future of the State Revolving Funds. We look forward to continuing to work with the Committee as this legislation as it works its way through the Congressional process.

I sincerely appreciate your invitation to appear before the Subcommittee today and, along with my many colleagues in the National Association of Water Companies, look forward to continuing our work with you to ensure that all Americans benefit from innovations in financing which improve the water

infrastructure so essential to their quality of life. Thank you, and I would be happy to respond to any questions you may have.

Mr. SHIMKUS. Thank you. The gentleman yields back his time. The chair now recognizes Mr. Scott Potter, Director of the Nashville Metro Water Services in Nashville, Tennessee, on behalf of the Association of Metropolitan Water Agencies.

You are recognized for 5 minutes, sir. Thank you.

STATEMENT OF SCOTT POTTER

Mr. POTTER. Good morning, sir.

Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee, the Association of Metropolitan Water Agencies, or AMWA, appreciates the opportunity to offer our thoughts today on the Drinking Water System Improvement Act of 2017.

I am Scott Potter, Director of Metro Water Services in Nashville, Tennessee. We provide drinking water services to 190,000 households and 200,000 sewer accounts in Nashville and Davidson County in Tennessee. I also serve as President of AMWA's Board of Directors. AMWA is an organization representing the Nation's largest publicly owned drinking water utilities, which collectively serve over 130 million Americans with quality drinking water. Our members support reauthorization of the Drinking Water SRF, and we appreciate that the legislation before the subcommittee today would do so for the first time in the program's history.

My written testimony has been submitted for the record. It includes more detailed feedback on the various sections of the legislation, so I will use my time today to speak more generally about the bill and AMWA's priorities for reauthorization of the Drinking Water SRF.

Simply put, we believe that the Drinking Water SRF is a valuable program. It should remain a cornerstone of Federal efforts to promote cost-effective water infrastructure financing to help communities protect public health and meet the regulatory requirements of the Safe Drinking Water Act.

We are pleased the Drinking Water System Improvement Act preserves the existing framework of the Drinking Water SRF, while making several targeted modernizations to the program and the Safe Drinking Water Act as a whole.

For example, the bill will leverage the expertise of large water utilities by encouraging them to enter into agreements to help in-need water systems correct, identify water quality violations, and carry out necessary management and administrative functions.

The bill also recognizes the importance of asset management by directing states to describe steps they will take to promote the adoption of effective asset management principles, practices, and how they will assist local utilities in training their staff to implement asset management plans.

We support these measures, though AMWA also believes utilities that have completed qualifying asset management plans should be rewarded with a degree of additional preference when they apply for Drinking Water SRF assistance.

The idea is not to make asset management plans mandatory or to exclude systems without asset management plans from receiving funding, but instead to incentivize all public water systems that seek SRF dollars to think holistically about the full life-cycle costs of their infrastructure.

As this legislation continues to develop, AMWA would like to recommend several additional points for consideration. Perhaps most importantly, the final bill should reauthorize the Drinking Water SRF at a level that recognizes the immense nationwide water infrastructure need and does not inadvertently constrain Congress' ability to fund the Drinking Water SRF at an amount that appropriately responds to these needs.

For example, initial versions of the fiscal year 2017 EPA appropriations bill approved by the House and Senate committees last year would have provided more than \$1 billion for the Drinking Water SRF. Given the Nation's infrastructure needs and the apparent willingness of appropriators to provide this level of investment in the program, this legislation should authorize the funding level comfortably in excess of this figure.

Earlier this year, AMWA and other water sector stakeholders endorsed a call to double Drinking Water SRF funding to roughly \$1.8 billion. So a figure in this vicinity would serve as a reasonable starting point for the new authorization level.

AMWA also supports expanding the Safe Drinking Water Act's definition of a disadvantaged community eligible for additional assistance to include a portion of the utility service area. The statute currently requires all the utility service area to meet the state's affordability criteria, but this is difficult to achieve for large metropolitan water systems that typically serve diverse populations that both have areas of affluence and also areas with concentrations of people in need.

By allowing defined portions of a large utility service area to be classified as disadvantaged, more individual in-need neighborhoods served by America's large water providers would become eligible for the same type of benefits that are already available to many small cities and towns throughout the country.

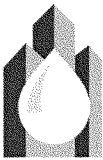
Finally, we support codifying the ability of recipients to use Drinking Water SRF funds for projects to improve the security of a public water system.

In 2014, Congress explicitly allowed the use of clean water SRF funds for security improvement projects at publicly owned treatment works. So we believe it is appropriate to formally extend the same ability to public water systems.

In closing, AMWA believes this legislation is a good starting point for efforts to reauthorize the Drinking Water SRF. We look forward to continuing to work with members of the subcommittee on this legislation, and I will be happy to answer any questions the committee may have.

Thank you, sir.

[The prepared statement of Mr. Potter follows:]



ASSOCIATION OF
METROPOLITAN
WATER AGENCIES

Testimony of

Scott Potter
Director, Nashville Metro Water Services

On Behalf of the
Association of Metropolitan Water Agencies

Before the
U.S. House of Representatives
Energy and Commerce Committee
Environment Subcommittee

Hearing on the
Drinking Water System Improvement Act of 2017

May 19, 2017

Summary of the Testimony of Scott Potter

- The Drinking Water State Revolving Fund has provided nearly \$32.5 billion in funding assistance to communities across the nation through 12,827 individual assistance agreements over the past twenty years, but Congress has never reauthorized the program. The time to do so is now.
- The Drinking Water System Improvement Act would make a number of targeted updates to the DWSRF program to ensure maximum efficiency and flexibility for community water systems.
- AMWA supports provisions in the legislation that would reauthorize DWSRF appropriations, encourage states to promote asset management planning, reduce duplicative regulatory requirements, and facilitate cooperative partnerships to help public water systems maintain compliance with SDWA standards.
- AMWA encourages the subcommittee to explore additional revisions to the DWSRF program, such as expanding the definition of “disadvantaged community” in the statute to include portions of service areas, and to codify the ability of community water systems to use DWSRF funds for facility security enhancements.
- AMWA stands ready to work with the subcommittee and all members of Congress to advance legislation that renews the federal commitment to investing in our nation’s drinking water infrastructure.

Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee: the Association of Metropolitan Water Agencies (AMWA) appreciates the opportunity to offer our thoughts today on the Drinking Water System Improvement Act of 2017.

I am Scott Potter, Director of Nashville Metro Water Services in Nashville, Tennessee. Metro Water Services provides quality drinking water to more than 190,000 households and more than 200,000 sewer accounts in Nashville and Davidson County, Tennessee. Our two drinking water treatment plants have a combined capacity of 180 million gallons of water per day. The drinking water is conveyed by a distribution system consisting of more than 3,000 miles of water main, and our largest pipe is five feet in diameter.

I also serve as president of AMWA's Board of Directors, a position I have held since 2015. AMWA is an organization representing the nation's largest publicly owned drinking water utilities, which collectively serve more than 130 million Americans with quality drinking water. Our members support reauthorization of the Drinking Water State Revolving Fund, and we appreciate that the legislation before the subcommittee today would do so for the first time in the program's history.

My colleague Rudy Chow of the Baltimore City Department of Public Works testified on behalf of AMWA during the subcommittee's March hearing on reinvestment and rehabilitation of drinking water systems, so the scale of our nation's water infrastructure challenge is well documented. By now the subcommittee is well aware that EPA data shows that our country's drinking water infrastructure requires \$384.2 billion worth of investment over the next two decades just to maintain current levels of service. Members of the subcommittee also know that AMWA and the National Association of

Clean Water Agencies have projected that water and wastewater utilities could spend nearly \$1 trillion over the coming 40 years as they adapt to changing hydrological conditions such as extreme drought, more frequent intense storms, and rising sea levels. These startling figures are some of the strongest arguments we have in favor of ongoing federal support for the nation's drinking water infrastructure.

For these reasons, AMWA is pleased to see the subcommittee consider this discussion draft of the Drinking Water System Improvement Act. Most importantly, the bill would formally reauthorize funding for the Drinking Water State Revolving Fund for the first time since the program's creation in 1996. Since that time the DWSRF has delivered nearly \$32.5 billion in funding assistance to communities across the nation through 12,827 individual assistance agreements – but it has been more than a decade since the program's original congressional authorization expired. Given that Congress made several reforms to the Clean Water SRF in 2014, and also authorized the Water Infrastructure Finance and Innovation Act (WIFIA) pilot program, the time is right for Congress to renew its commitment to the Drinking Water SRF as well.

While AMWA supports reauthorization of the DWSRF, the organization does not believe that the program, or the Safe Drinking Water Act as a whole, is in need of a top-to-bottom overhaul. Both programs work well in their current forms, though both would benefit from a number of targeted updates to ensure maximum efficiency and flexibility for community water systems. We are pleased that the Drinking Water System Improvement Act begins that process.

The following are AMWA's comments on specific components of the draft legislation.

Section 2: Contractual Agreements

Section two would improve drinking water quality and public health by encouraging knowledge sharing and collaboration between utilities. The provision would build on the Safe Drinking Water Act's existing consolidation incentive to allow state regulators or EPA to temporarily suspend enforcement actions for specific violations at a water system when another utility submits a plan to enter into a contractual agreement to take over significant management or administrative functions of that system. This section will encourage AMWA members and other large water systems, which often have extensive operational and institutional knowledge at their disposal, to contract with nearby smaller systems to correct violations while enjoying the same temporary suspension of enforcement that the statute already allows in cases where one out-of-compliance utility is fully consolidated with or acquired by another water system. As is the case with SDWA's existing consolidation incentives, any such contractual agreement undertaken pursuant to this section must be approved by the state or EPA in order for the enforcement relief to apply.

Section 3: Asset Management

AMWA strongly supports efforts to encourage public water systems to complete asset management plans, which we define as "an integrated set of processes to minimize the life-cycle costs of infrastructure assets, at an acceptable level of risk, while continuously delivering established levels of service."

Section three recognizes the importance of asset management by directing states to include as part of their capacity development strategies a description of how the state is encouraging water systems to adopt best asset management practices, and assisting local

utilities in training their staff to implement asset management plans. The section also requires EPA to periodically update handbooks and training materials made available to public water system operators to reflect the latest thinking on the best practices for asset management strategies in the water sector.

AMWA supports these provisions because they will encourage states and EPA to promote effective asset management as broadly as possible, but we also believe that more can be done to incentivize the adoption of asset management methods by individual utilities. As AMWA testified in March, the association supports amending the DWSRF program to give public water systems that have completed qualifying asset management plans a degree of additional preference when they apply for DWSRF assistance. The idea is not to exclude systems without asset management plans from receiving SRF funding, but instead to encourage all public water systems that seek SRF dollars to use asset management planning to think holistically about the life-cycle costs of their infrastructure.

Section 4: Authorization for Grants for State Programs

This section would reauthorize expired funding for EPA to make grants to states to carry out public water system supervision programs. As AMWA and other water sector organizations wrote in an April 25, 2017 letter to congressional appropriators, public water system supervision programs “ensure that water utilities have the information, technology, and capabilities to meet their mandated regulatory responsibilities.” AMWA supports this reauthorization.

Section 5: State Revolving Loan Funds

This section includes several updates to the DWSRF that should make the program even more appealing to public water systems that seek funding. One change

would allow states to provide loan subsidies of up to 35 percent to support projects in disadvantaged communities that meet the state's affordability criteria, up from the current statutory cap of 30 percent. This will provide useful additional assistance to communities in need, but unfortunately the impact of this change is limited by the statute's existing definition of a "disadvantaged community" as "the service area of a public water system" that meets the state's affordability criteria. The requirement that the entirety of a utility's service area must meet the affordability criteria is difficult to achieve for large metropolitan water systems, which typically serve diverse populations that have both areas of affluence and areas with concentrations of people in need. This diversity of the ability to pay of households throughout the whole community often prevents disadvantaged community assistance from reaching pockets of utility service areas that, if they were served by their own water system, would easily qualify as disadvantaged under their state's criteria. AMWA therefore supports amending the statute's definition of "disadvantaged community" to include both entire water system service areas as well as portions of service areas. With this change, more in-need neighborhoods served by America's largest water systems would become eligible for the same type of additional subsidization to support necessary drinking water infrastructure projects as is already available to many small cities and towns throughout the country.

Section five of the discussion draft would also ease DWSRF repayment terms, allowing principal and interest payments to begin 18 months after completion of the project (up from one year under current law), and extending the amortization term to up to 30 years after substantial completion of the project, up from the current limit of 20 years. Additionally the section would allow 40-year amortization periods for projects

carried out in disadvantaged communities. AMWA supports these changes and the increased flexibility they will bring, though we again note that expanding the definition of “disadvantaged community” to include a portion of a utility service area would ensure that this new flexibility is accessible to the greatest number of low-income communities nationwide.

Section 6: Other Authorized Activities

This section would allow states to use set-aside DWSRF funds to update source water assessments that were previously mandated by the Safe Drinking Water Act. Given that one of the most effective ways to protect drinking water quality is to prevent contaminants from entering source waters in the first place, AMWA believes this provision is a valuable update to the existing statute.

Section 7: Authorization for Capitalization Grants to States for State Drinking Water Treatment Revolving Loan Funds

This section represents the first funding reauthorization in the history of the DWSRF, and AMWA strongly supports renewing this commitment to the program. However, as the specific authorization levels remain undefined in the discussion draft, AMWA urges the subcommittee to insert in the final legislation figures that may serve as a point of aspiration for a congress that has, in recent years, allowed DWSRF funding amounts to level off.

As I previously stated, the nationwide drinking water infrastructure investment needs have been well documented, by EPA and others. Most recently in March the Environmental Council of States released an inventory of all fifty states top “ready to go” water and wastewater infrastructure projects that could benefit from SRF loans. The

document showed \$14.2 billion worth of water and wastewater projects nationwide that could move forward today with an infusion of SRF dollars – a figure that is more than five times the total amount of Drinking Water and Clean Water SRF funding that was appropriated by Congress for the 2017 fiscal year.

Against this backdrop of well-documented need, any new five-year DWSRF reauthorization established through this legislation must not inadvertently constrain Congress' ability to fund the program at a level that appropriately responds to these needs. For example, even though the final FY17 omnibus appropriations bill left DWSRF funding level at \$863 million, earlier in the budget process House and Senate appropriators each approved versions of FY17 EPA funding bills that would have provided more than \$1 billion for the DWSRF this year. Given the nation's infrastructure needs and the apparent willingness of appropriators to provide this level of investment in the DWSRF, this subcommittee should authorize a funding level comfortably in excess of this figure.

The subcommittee should also avoid constraining future DWSRF appropriations by making sure that the annual authorization level does not fall below the highest regular annual funding level that Congress has actually appropriated to the program in recent history. This mark came during the 2010 fiscal year when the DWSRF received \$1.387 billion, so the annual authorization amount should exceed this figure as well.

AMWA notes that as a candidate last fall, President Trump called for tripling funding for both SRF programs at EPA. While his initial FY18 budget blueprint falls short of this goal, AMWA and other water sector stakeholders have endorsed calls to

double DWSRF funding to roughly \$1.8 billion. An annual figure in this vicinity could serve as a reasonable starting point for a reauthorized DWSRF.

Section 8: Demonstration of Compliance with Federal Cross-Cutting Requirements

This section has the potential to make the DWSRF even more attractive as a water infrastructure funding mechanism by allowing EPA to waive requirements that a funding recipient achieve and document compliance with a certain cross-cutting federal laws if the recipient is able to demonstrate compliance with an equivalent state or local statute. For example, several states have their own environmental review laws that apply to water infrastructure projects. If EPA were to determine that a state's requirements are at least equivalent to the standards of the federal National Environmental Policy Act, then a public water system applying for DWSRF assistance could demonstrate its compliance with the state-level law rather than documenting its adherence to the federal statute. This has the potential to reduce the paperwork burden on DWSRF applicants and help projects move more expeditiously through the application process. AMWA is eager to explore the degree of cost and time savings that could be achieved as a result of this provision.

Conclusion

Again, AMWA supports many of the DWSRF reforms that are included in this legislation, and we appreciate that the bill wisely avoids amending the Safe Drinking Water Act to modify the contaminant regulatory process or to insert artificial standard-setting deadlines into the statute. Conversely, we would suggest other provisions for inclusion, such as codifying the ability of public water systems to use DWSRF funds for water facility security enhancements, thus putting the program on par with the Clean Water SRF, which was amended in 2014 to allow the use of funds for security

improvements at treatment works. Above all, we recommend a robust funding authorization level that will allow DWSRF investments to grow unimpeded in the coming years.

AMWA believes the Drinking Water System Improvement Act is a strong bill that makes meaningful progress toward solidifying the Drinking Water State Revolving Fund for success in the coming years. AMWA looks forward to continuing to work with members of the subcommittee on this legislation.

Thank you again for the opportunity to testify, and I would be happy to answer any questions you may have.

Mr. SHIMKUS. The gentleman yields back his time. The chair thanks him.

And now I would like to recognize Mr. Steve Fletcher, Manager of the Washington County Water Company, Nashville, Illinois, in the great State of Illinois, and in the great district of the 15th Congressional District of Illinois, on behalf of—who represents that? I don't know—of the National Rural Water Association. You guys got me off my game.

You are recognized for 5 minutes.

STATEMENT OF STEVE FLETCHER

Mr. FLETCHER. Good morning, Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee. I am Steve Fletcher from rural Illinois in Washington County.

Rural Illinois and New York and the rest of America thank you for this opportunity to testify on drinking water infrastructure. Thank you, Congressmen Shimkus and Tonko, for your visits to your local small communities in your districts to tour and help with specific community water issues. This is very much appreciated.

I also need to thank Congressmen Harper, Tonko, and the subcommittee for passing the Grassroots Rural and Small Community Technical Assistance Act into law in the last Congress.

I am representing all small and rural community water supplies today through my association with the Illinois and National Rural Water Association.

Our member communities have the responsibility of supplying the public with safe drinking water and sanitation every second of every day. Most all water supplies in the U.S. are small. Ninety-two percent of the country's 50,366 drinking water supplies serve communities with fewer than 10,000 persons. Illinois has 1,749 community water systems and 1,434 serve less than 10,000 people. New York has 2,343, and 2,195 of those serve communities with less than 10,000 people.

My water system is a not-for-profit rural water system started by a group of farmers in the late 1980s who organized and built the water system using funding from the Federal Government that allowed these mainly farm families to receive safe, piped drinking water for the first time. Without the financial help from the Federal Government, we could never have afforded to have safe public water or even a public water utility.

Before the development of the rural water systems, rural households, including mine, relied on cisterns and private wells that were contaminated with nitrate so we couldn't drink the water.

We are pleased to endorse the subcommittee's legislation of the Drinking Water System Improvement Act of 2017. Small and rural communities support the use of these existing Federal infrastructure initiatives like the SRFs as the primary delivery mechanisms for any new Federal water infrastructure initiative. These initiatives all have specific provisions targeting Federal water subsidies to community water projects based on environmental and economic need. If some type of needs-based targeting is not specifically included in any new water infrastructure legislation, the funding will bypass rural America and be absorbed by large metropolitan water projects.

This bill accomplishes this objective. We support the bill's extended maximum loan duration and increase in the amount of additional subsidization to disadvantaged communities. Commonly, low-income or disadvantaged communities do not have the ability to pay back the loan, even with very low interest rates, and require some portion of grant funding to make the project affordable to the rate payers.

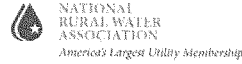
I would like to make two more related policy points with my remaining time. First, there is a misconception among some stakeholders that SRFs are for small and rural communities. SRFs have no limitation on size or scope of a water project. According to the EPA, most SRF funding is allocated to large communities. Approximately 62 percent of Drinking Water SRF funding is awarded to large communities, including numerous SRF projects that cost over \$50 or \$100 million. SRFs work for all sized water systems, and we are grateful for your support of the programs.

My final point is regarding local governmental choice in decisions of consolidation and privatization. The decision for any local government to privatize or consolidate should be determined at the discretion of local citizens. There is nothing inherently more efficient or more economical in the operation of our private water utility versus the public governmental water utility.

Regarding consolidation, rural water associations and systems like mine have assisted in more communities consolidating their water supplies than any program or organization. Again, when communities believe consolidation will benefit them, they eagerly agree with these partnerships. I have numerous examples from my own community which partners with six neighboring water utilities in various forms. We do not think any new Federal regulatory policy at expense of local government control and choice for privatization or consolidation would be beneficial to local communities or their citizens.

Thanks, Mr. Shimkus, for being such a good friend in support of rural America and to give us this opportunity today. I am happy to answer any questions.

[The prepared statement of Mr. Fletcher follows:]



TESTIMONY OF STEVE FLETCHER
ON BEHALF OF THE
WASHINGTON COUNTY WATER COMPANY, ILLINOIS
ILLINOIS RURAL WATER ASSOCIATION
NATIONAL RURAL WATER ASSOCIATION
BEFORE THE
THE UNITED STATES HOUSE REPRESENTATIVES
SUBCOMMITTEE ON THE ENVIRONMENT
MAY 19, 2017
SUBJECT: "DRINKING WATER SYSTEM IMPROVEMENT ACT OF 2017"

Introduction

Good Morning Chairman Shimkus and Ranking Member Tonko and members of the Subcommittee. Rural Illinois, New York and the rest of America thank you for this opportunity to testify on drinking water infrastructure. And I would especially like to thank you, Congressmen Shimkus and Tonko, for your visits to your local communities in your districts to tour and help with specific communities' water issues. This has been very much appreciated in those communities.

I am Steve Fletcher from a very rural part of Illinois in Washington County. I am representing all small and rural community water and wastewater supplies today through my association with both the Illinois and National Rural Water Associations. Our member communities have the very important public responsibility of complying with all applicable regulations and for supplying the public with safe drinking water and sanitation every second of every day. Most all water supplies in the U.S. are small; 92% of the country's 50,366 drinking water supplies serve communities with fewer than 10,000 persons, and 80% of the country's 16,255 wastewater supplies serve fewer than 10,000 persons.

I am the general manager of the Washington County Water Company which is a non-profit rural water district started by a group of farmers in the 1980s. These farmers organized and built the water district using funding from the federal government that allowed these mainly farm families to receive safe, piped drinking water for the first time. Without the financial help from the federal government, we could have never afforded to have safe public water or even a public water utility.

We are governed by elected, volunteer board members that live in our service area. Before the development of the rural water districts, rural households, including mine, relied on cisterns and private wells that were contaminated with nitrates so we couldn't drink the water. We also relied on steel tanks that would catch the rain water off the roof and run it through some rocks to filter out sediment – and some farms were using water from their ponds with only some rudimentary treatment. None of these were good or safe options.

Over the last four decades, our little water district has grown to serve 4700 users through four separate small municipalities that have decided to partner with us for various reasons which I will explain in a bit. We expanded project-by-project by laying new lines when we could secure the funding. Every few years we would extend water lines another 50-100 miles, allowing for an

additional 200-300 homes to get drinking water for the first time. It took us ten years to grow and extend enough to service the president of the water district.

Appropriate Partnerships

We also partner with our neighboring town of Egypt which decided to get out of managing their own small water utility and gave the management responsibilities to us. We assumed all its assets and debts three years ago and now operate and manage Egypt's drinking water system as a satellite and separate public water system under our governance.

I wanted to highlight our various forms of partnerships with our neighboring communities including outright ownership of the town of Egypt, to selling wholesale water to the villages of Okawville and Radom, to providing partial operations to the Village of Ashley, and to our partnership with the Village of DuBois where we provide the operations, maintenance and compliance testing to the Village while it retains full local governmental control.

I note these partnerships to make the point that regionalization and consolidation of small communities' water systems are occurring and there is no current legal or structural impediment for this to occur. We support the concept and encourage these partnerships when it makes local economic sense because growing economies of scale result in lower cost to the consumer than operating independent water utilities. In the 1990s, it became apparent to the villages of Ashly and Okawville that it would be more economical to purchase water from us than what it would cost to upgrade their treatment plants – so they chose to partner with us.

The key ingredient in any successful consolidation is local support for the consolidation – and local control of when and how they choose consolidation. Rural Water has led or assisted in more communities consolidating their water supplies than any program, policy or organization. Again, when communities believe consolidation will benefit them, they eagerly agree with these partnerships. However, if communities are coerced to consolidate, one can almost guarantee future controversy. We urge you to allow local governments the authority to choose when to merge, consolidate or enter into a partnership. If a community is out of compliance with the Safe Drinking Water Act, civil enforcement can drive a community to a compliance solution. However, they should be able to choose their preferred compliance solution whether it be new treatment, regionalization, technical assistance, governmental changes, etc. We would be very concerned if the federal government expanded its regulatory reach into this traditionally local governmental authority.

“Drinking Water System Improvement Act of 2017”

We appreciate the Subcommittee's efforts to make modifications to the Safe Drinking Water Act to assist local governments with drinking water infrastructure funding and other forms of assistance in your legislation, the “Drinking Water System Improvement Act of 2017.” We are pleased to endorse the bill for the following reasons and make some comments if the Subcommittee makes any modifications to the bill:

1. First, small and rural communities support the use of these existing federal infrastructure initiatives as the primary delivery mechanisms for any new federal water infrastructure initiative. These initiatives all have specific authorizing provisions that recognize that most water utilities are small and have more difficulty affording public water service due lack of population density and lack of economies of scale and have some targeting or prioritization of federal water subsidies based on need. The state revolving loans achieve this principled objective by requiring that federal subsidies be targeted to the communities most in need based on their economic challenges combined with the public

health necessity of the project. If rural and small town America is not specifically targeted in the legislation that would authorize and fund new water infrastructure initiatives, the funding will bypass rural America and be absorbed by large metropolitan water developments. The "Drinking Water System Improvement Act of 2017" accomplishes this objective by including targeting to disadvantaged communities and small communities with minimum set-asides, and prioritization of projects with the greatest environmental and economic need.

2. Second, we support the extended maximum loan duration up to 40 years. This extension can make the difference in a community being able to afford a project by lowering the repayment amounts to a level where the community can afford to service the debt. This change also makes the Drinking Water SRF consistent with other maximum loan terms in federal programs.
3. Third, we support the increase to 35 percent of the amount of additional subsidization to include forgiveness of principal that can be used in disadvantaged communities. Commonly, low income or disadvantaged communities do not have the ability to pay back a loan, even with very low interest rates, and require some portion of grant or principal forgiveness funding to make a project affordable to the ratepayers.
4. Fourth, the "Drinking Water System Improvement Act of 2017" includes no additional regulatory burden or new unfunded mandates on small and rural communities. Enhancing drinking water quality in small communities is more of a resource issue than a regulatory problem. Most small community non-compliance with the Safe Drinking Water Act and Clean Water Act can be quickly remedied by on-site technical assistance and education. The current EPA regulatory structure is often misapplied to small and rural communities because every community wants to provide safe water and meet all drinking water standards. After all, local water supplies are operated and governed by people whose families drink the water every day and people who are locally elected.

When Congressman Tonko's "ASSISTANCE, QUALITY, AND AFFORDABILITY ACT," or AQUA legislation, was first introduced in 2010, we testified in favor of that legislation. We think some of the positive targeting contained in the AQUA bill has been included in the "Drinking Water System Improvement Act of 2017" and we appreciate that and thank you, Representative Tonko, for your continued efforts to make sure federal water funding is targeted to communities most in need.

We urge you to consider two additional provisions to the legislation that we believe would make it more effective in reaching and assisting communities facing some of the most challenging water infrastructure situations. For the past few years, the Interior Appropriations Subcommittee has been mandating in the EPA appropriations bill that states must use 20 percent of their drinking water SRF grant for making grants to disadvantaged communities. Please consider codifying this policy in the Safe Drinking Water Act to make it permanent and please consider increasing the 20 percent to a higher level to ensure grants are available to make the most necessary water projects in the most economically disadvantaged communities possible. Also, please consider authorizing a technical assistance initiative dedicated to helping under-resourced communities with the application process. Many communities simply have difficulty completing the necessary paperwork and working through the engineering process to successfully obtain funding from the available federal funding sources. Authorizing a technical assistance provision that would fund one person with expertise in grant writing and project completion in each state would allow all communities access to this shared resource that no single community could afford to employ full-time. We think such a program would cost approximately \$6.5 million and should be implemented with similar authority through the Grassroots Rural and Small Community Water Systems Assistance Act.

114th CONGRESS, 2d Session, H. R. 5538, AN ACT, Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2017.

TITLE II – ENVIRONMENTAL PROTECTION AGENCY
State And Tribal Assistance Grants

Provided further, ...20 percent of the funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and shall be so used by the State only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients where such debt was incurred on or after the date of enactment of this Act...

Example of Challenging Water Infrastructure Situation

The Village of Neponset in Bureau County, Illinois, only has a population of 473 persons. It was already carrying a lot of debt for its water utility infrastructure when it was mandated to upgrade its wastewater utility, install new treatment to comply with the federal drinking water standard for radium, and finance the refurbishing of their water tower (approximately \$1.5 million). The community had to raise their rates by \$15 a month to approximately a total of \$100 monthly. Community leaders are concerned the high cost of water service will result in more empty homes. All of the main three federal water funding sources have been very helpful in assisting the community and we are hopeful this assistance will keep the community viable. In addition to refinancing their existing debt to a longer loan duration of 30 years, the drinking water SRF funds has provided two loans to Neponset (one each for water and sewer), USDA has provided an additional loan for their sewer upgrade, and they were also able to qualify for a grant from the Community Development Block Grant program. This is a good example of all the various funding agencies working cooperatively to address a small community in dire need.

Unfortunately, we don't have the magic solution for how to adequately fund the SRFs, increase funding for national water infrastructure, or find feasible ideas for new funding streams other than the traditional federal discretionary appropriations process. However, we are grateful for this committee's continued advocacy for appropriations for the SRFs each year and continued attention to water infrastructure challenges. We also will be relying on this committee to ensure that any new national infrastructure initiative does not bypass rural and small town America as it progresses in Congress.

Technical Assistance

I want to especially thank Congressman Harper, Tonko, and the Subcommittee for passing the Grassroots Rural and Small Community Water Systems Assistance Act into law in the last Congress. Small and rural communities want to provide safe water and meet all drinking water standards – and on-site technical assistance gives them the shared technical resource to achieve it. Most small community non-compliance with the Safe Drinking Water Act and Clean Water Act can be quickly remedied by on-site technical assistance and education. However, the assistance must come from someone they trust (a peer) who is willing to travel directly to the community, has technical expertise to remedy that specific community's issue with their specific treatment and infrastructure, and be available on-site at any time (nights, weekends, middle of winter, etc.). We have not been able to have that legislation, Public Law 114-98, control all the technical assistance funding in the Environmental Protection Agency (EPA) appropriations bill which is preventing that

technical assistance funding from reaching rural Illinois, New York, and other states. Any assistance you can provide to correct this issue with the EPA Appropriations Subcommittee is greatly appreciated. The reason why this authorization and the similar drinking water authorization need to be specifically cited in the appropriations bill is because they contain a critical mandate that the EPA must follow Congressional intent and give preference to the type of technical assistance that small communities find to be most beneficial. Again, we would be grateful for any help in getting this message to the EPA Appropriations Subcommittee.

Small and Rural Community Issues

When thinking about national water infrastructure proposals, please remember that most water utilities are small and have more difficulty affording public water service due to lack of population density and corresponding lack of economies of scale. The small community paradox in federal water policy is that while we supply water to a minority of the country's population, small and rural communities often have more difficulty providing safe, affordable drinking water and sanitation due to these very limited economies of scale and lack of technical expertise. Also, while we have fewer resources, we are regulated in the exact same manner as a large community; we outnumber large communities by a magnitude of 10-fold, and federal compliance and water service is often a much higher cost per household. In 2017, there are rural communities in the country that still do not have access to safe drinking water or sanitation due to the lack of population density or lack of funding – some exist in my own county.

Small community water infrastructure projects are more difficult to fund because they are smaller in scale – meaning numerous, very complicated applications have to be completed and approved compared to one large project. This is compounded by the reality that small communities lack the administrative expertise to complete the necessary application process – and perhaps lack the political appeal of some large cities as well.

Because water infrastructure is often less affordable (i.e. a much greater cost per household) in rural America, a water infrastructure project poses a greater financial risk compared to a metropolitan project and, very importantly, requires some portion of a grant, not just a loan, to make the project feasible. The higher the percentage of grants required to make a project work results in less money repaid to the infrastructure funding agency and a correlating diminution of the corpus fund.

State Revolving Loan Funds (SRFs)

There is a current misconception among some stakeholders that the SRFs have a limitation on size or scope of a water project and don't leverage federal dollars. States can currently leverage a smaller amount of water funding to create a much larger available loan portfolio. Similarly, states can use their federal SRF grants to leverage larger loan portfolios. According to the EPA, State SRF programs can increase funds through different types of leveraging such as:

- Using fund assets as collateral to issue tax-exempt revenue bonds;
- Using funds from one SRF program to secure the other SRF program against default through cross-collateralization;
- Using funds from one SRF program to help cure a default in the other SRF program through a short-term cross-investment; and
- Increasing disbursements to incrementally fund multiple projects within a capital improvement plan.

A 2015, Government Accountability Office (GAO) report on the state revolving funds found: "EPA tracks the amount of additional loans that are made because of leveraged bonds. States'

Clean Water SRF programs have issued approximately \$31.8 billion in loans with leveraged bonds, and states' Drinking Water SRF programs have made approximately \$5.3 billion in additional loans with leveraged bonds..." [Source: State Revolving Funds, August 2015 GAO- 15-567]

Regarding the misconception some stakeholders are advancing that the SRFs have a limitation on size or scope of a water project, there is no size or scope limitation for water projects under the state revolving funds. According to EPA, most SRF funding is allocated to large communities:

- Approximately 72 percent of clean water SRF funding is awarded to large communities (EPA Clean Water State Revolving Fund Annual Review).
- Approximately 62 percent of drinking water SRF funding is awarded to large communities (<http://www.epa.gov/ogwdw/dwsrf/nims1/dwcszeus.pdf>).

A simple review of projects funded by the SRFs show numerous projects that cost over 50 million dollars. It appears that the SRFs are used in every large water project in the country. This assertion should be verified by the EPA. The state of New York lists multiple projects funded by the drinking water SRF that cost over one billion dollars.

Clean Water Financing Proposed Priority System (FY2016) New Jersey Department of Environmental Protection ([link](#)).

CAMDEN CITY \$58,648,000	MIDDLESEX COUNTY \$111,313,000
CAMDEN COUNTY \$50,664,000	PASSAIC VALLEY SC \$132,505,000
MIDDLESEX COUNTY \$363,247,000	PASSAIC VALLEY \$63,223,000
JERSEY CITY MUA \$47,046,000	BELLMAWR BOROUGH \$66,350,000
BAYSHORE RSA \$5,894,000	EDISON TOWNSHIP \$55,475,000
PASSAIC VALLEY SC \$134,646,000	CAMDEN RED AGENCY \$172,309,000
PASSAIC VALLEY SC \$58,205,000	KEARNY TOWN \$107,557,000
PASSAIC VALLEY SC \$60,117,000	PENNSAUKEN TWNP \$55,431,000
BERGEN COUNTY UA \$54,172,000	SAYREVILLE ERA \$50,664,000
PASSAIC VALLEY SC \$63,223,000	

State Revolving Fund for Water Pollution Control Federal Fiscal Year 2016 New York State Department of Environmental Conservation ([link](#)).

GREENWOOD LAKE, VILLAGE OF \$62,021,000	ONEIDA COUNTY PHASE 5B \$117,000,000
SOUTHAMPTON, VILLAGE \$30,552,000	ONEIDA COUNTY PHASE 6A \$110,600,000
CHEEKTOWAGA, TOWN OF \$50,000,000	SUFFOLK COUNTY SW SD #3 \$88,572,000
NASSAU COUNTY BAY PARK \$50,951,925	SUFFOLK COUNTY RT 25 \$76,230,000
NASSAU COUNTY BAY PARK \$524,750,000	UTICA, CITY OF \$105,304,000
ONEIDA COUNTY PHASE 2B \$59,500,000	

Projects for New York City (NYCMWFA)

WARDS ISLAND BRONX \$64,091,406	NEWTOWN CREEK STP UP \$112,331,279
WARDS ISLAND STP REHAB \$102,655,400	NEWTOWN CREEK STP UP \$169,975,528
BOWERY BAY STP MOD \$50,412,000	NEWTOWN CREEK STP UP \$140,983,576
BOWERY BAY STP UP \$204,301,784	NEWTOWN CREEK STP UP \$42,212,389
TALLMAN ISLAND STP UP \$280,322,476	NEWTOWN CREEK STP UP \$361,199,252
JAMAICA STP IMP JA-179 \$57,267,070	NEWTOWN CREEK STP UP \$589,360,645
26TH WARD, BB, TI, WI, \$93,802,596	PUMP STATIONS CSO [CSO \$183,867,577
26TH WARD STP IMP \$51,101,400	CONEY ISLAND CREEK CSO \$69,107,016
26TH WARD STP IMP \$100,595,678	CONEY ISLAND CREEK CSO \$48,351,415
NEWTOWN CREEK STP UP \$45,933,272	NYC-WATERSHED NPS 319 \$116,225,648

Final Intended Use Plan Drinking Water State Revolving Fund October 1, 2015- September 30, 2016 ([link](#)). **NEW YORK CITY**

Croton Filtration Plant (Phase 11 of 16479), \$1,200,000,000
 3rd City tunnel and shafts, dist press, \$470,000,000
 Catskill& Delaware UV Disinfection, Treatment Plant \$1,400,000,000

CALIFORNIA, FISCAL YEAR 2015-2016 Clean Water Revolving Fund Intended Use Plan ([link](#)).

Sacramento Regional County Sanitation District Echo Water Project \$174,380,875
 Sacramento Regional County Sanitation District Echo Water Project \$65,426,778
 South Coast Water District Tunnel Stabilization & Sewer Rehabilitation \$102,560,000
 Hi-Desert Water District Wastewater Treatment and Water Reclamation \$142,349,314
 City of Malibu Civic Center Wastewater Treatment & Recycling Facility \$41,900,000
 Santa Margarita Water District Trampas Canyon Recycled Water \$47,450,000
 City of North Valley Regional Recycled Water Program \$96,617,856
 Monterey Regional Water Pollution Control Agency Groundwater \$82,000,000
 Eastern Municipal Water District Recycled Water Supply Optimization \$114,031,280
 Los Angeles, Advanced Water Purification Facility \$451,000,000
 Sacramento Regional County Sanitation District Echo Water Project \$59,408,652
 Sacramento Regional County Sanitation District Echo Water Project \$711,032,393
 City of San Luis Obispo Water Resource Recovery Facility Expansion \$68,000,000
 Ventura County Waterworks District No. 1 \$50,000,000
 San Jose, City of Digester and Thickener Facilities \$86,350,000
 Water Replenishment District of Southern California Groundwater \$80,000,000
 Upper San Gabriel Valley Municipal Water District Indirect Reuse \$65,000,000
 Los Angeles, City of Hyperion Treatment Plant Membrane \$460,000,000
 Palmdale Water District Palmdale Regional Groundwater Recharge \$130,000,000
 Sacramento Regional County Sanitation District Echo Water Project \$484,585,422

Privatization

NRWA has not opposed water supply privatization in principle. However, corporate water (profit generating companies or companies paying profits to shareholders/investors) should not be eligible for federal taxpayer subsidies. Private companies argue that they have to comply with the same regulations. However, the distinction in mission between public and private is the core principle that should be considered. Public water utilities were and are created to provide for public welfare (the reason why public water continues to expand to underserved and nonprofitable populations). Any federal subsidy that is provided to a corporate water utility should be separated from subsidizing that company's profits.

Regarding EPA's suggestion that public-private partnerships may be a solution for small and rural water utility "challenges," we urge EPA to limit its policy and initiatives to compliance rather than promote water utility privatization. EPA should leave any decisions regarding privatization to the local citizens' discretion. The decision for any local governmental to privatize, including incremental privatization, should be determined at the discretion of local citizens. There is nothing inherently more efficient or more economical in the operation of a private water utility versus a public-governmental water utility. As the Government Accountability Office concluded in 2008, "There is no 'free' money in public-private partnerships." This observation is self-evident, along with the observation that private water utilities are inherently no more efficient than public water utilities. While we believe that maximizing profit is a noble virtue, we do not think that federal policy and initiatives should promote privatization of water utilities.

Regarding private or commercial funding as a source for investment in the country's water infrastructure, please know that there is currently no limitation on private or commercial investments in water utility infrastructure projects. Many water utilities currently rely on commercial or private investors (i.e. a local bank) for certain projects. However, many water infrastructure water projects would become unaffordable, like the communities cited earlier in my testimony, if they were to rely solely on commercial or private financing. This means that the ratepayers would not be able to afford their water bills if the total cost of the project were financed by the ratepayers. This dynamic is especially acute in low-income communities with expensive water utility infrastructure needs.

Congress has determined that there is a federal interest in subsidizing some of these water infrastructure projects based on need – the community's lack of ability to afford the project combined with the public health or environmental urgency of the project. Congress appropriates finite water funding subsidies and communities compete based on need for these limited federal subsidies.

Under the Clean Water Act and the Safe Drinking Water Act, the state revolving funds' (SRFs) application processes require the prioritization of funding awards based on a meritorious needs-based evaluation conducted by the states. Under the U.S. Department of Agriculture's (USDA) water infrastructure funding program, communities must demonstrate they don't have the ability to obtain commercial credit (the "credit elsewhere" test) and then they are only subsidized by the amount to make the project affordable to that specific community based on a ratio of water rates and local median household income. There are never enough federal subsidies to fund every project.

We have concerns with proposals to extend new subsidies or tax preferences to the private investment sector to support a new national infrastructure initiative:

- For private or commercial funding instruments to be able make projects more affordable by lowering interest rates, the federal government would have to offer some type of subsidy or tax-break to the private sector. This will have a cost to the federal government in decreased tax revenue or direct appropriations. If this cost is used to support the private sector, it will result in a transfer or circumvention of public (taxpayer) subsidies from the public (local governments under the SRFs, USDA, etc.) to the commercial or corporate sector. We believe that federal water project subsidies should be used for the public/governmental sector water infrastructure projects determined to be a federal priority worthy of public subsidy.
- Private infrastructure financing does not require the prioritization of projects based on need (economical and environmental) like the current government water programs. It is in the interest of the private financing sector to fund the projects that would have the highest return on investments. Therefore, if additional federal subsidies were used to subsidize the private sector, it would have the effect of redirecting federal subsidies from the projects with the greatest need (economical, public health and environmental) to the projects with least need.

Again, there is currently no limitation of commercial or private investment in water infrastructure; our concern is limited to providing a new subsidy to the private or commercial sector that could remain in a public sector dedicated to accomplishing federally identified priorities.

Mr. SHIMKUS. The gentleman yields back his time, and the chair thanks him.

And now I would like to turn to Ms. Lisa Daniels, director of the Bureau of Safe Drinking Water at the Pennsylvania Department of Environmental Protection, on behalf of the Association of State Drinking Water Administrators.

You are recognized for 5 minutes.

STATEMENT OF LISA DANIELS

Ms. DANIELS. Good morning, Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee. Thank you for the opportunity to be here to discuss the status of our Nation's state drinking water programs.

I am also President-Elect for ASDWA, so I am very glad to be here to represent the organization.

Our members are on the front lines every day ensuring safe drinking water and protecting public health. Vibrant and sustainable communities, their citizens, and businesses, all depend on a safe and adequate supply of drinking water.

States oversee more than 152,000 public water systems and interact with them through a broad range of activities that are funded through two Federal funding sources. Of course, there is the Drinking Water State Revolving Loan Fund, but there is also the Public Water System Supervision program.

The vast majority of community water systems are in compliance with health-based standards. That is the good news. But what about those systems that struggle?

The Drinking Water SRF can provide solutions for struggling systems. At only 20 years old, it really is a remarkable success story. It has allowed states to fund projects to upgrade treatment plants, rehabilitate distribution systems, address our aging infrastructure, and it has been quite successful. In fact, states have been able to leverage Federal funding to fund more than 13,000 projects through the SRF.

A major component of the 1996 amendments was new statutory language that allow states to undertake what we call proactive measures. Funded through the set-asides, proactive measures such as operator training, technical assistance, and source water protection offer support for water systems as they strive to enhance their performance.

Water systems are encouraged to consider a range of options, including partnerships, which could be as simple as sharing a backhoe or as complex as merging with a neighboring system. And the set-aside funds are available to support many of these activities.

I would like to share an example from my home state. The Stockton Water System was a very small 43-home community that was operating as an untreated, unfiltered, and unpermitted surface water system. We discovered this system in 2014 because of customer complaints.

The water was found to contain E. Coli, giardia, and salmonella. Traditional strategies and enforcement weren't working in this community. They really needed a different kind of assistance. We employed several capability enhancement programs in Stockton, including Capability Enhancement program, which provided the ini-

tial assessment and also provided onsite technical assistance to really help folks understand the challenges with this community. We also employed the professional engineering services program, which was able to conduct feasibility studies and design work to find the best solutions.

These initiatives came together with PENNVEST, which is our SRF funding agency, to identify a willing partner. And we found that in the nearby Hazelton City Authority system. They agreed to work with Stockton, make the Drinking Water SRF application, extend water service, replace Stockton's existing distribution system, while keeping water rates at an affordable \$35 per month. The total project cost was \$2.2 million, which was underwritten by PENNVEST and, today, Stockton now has a safe and reliable supply of drinking water.

Solutions such as this would absolutely not be possible without the Drinking Water SRF and the set-asides. Drinking water systems and the communities they serve are the direct beneficiaries of the work accomplished through these programs.

State drinking water programs have often been expected to do more with less, and we have always responded with commitment and integrity, but we are currently stretched to the breaking point. Insufficient Federal funds increase the likelihood of contamination incidents, and we do not want to see another Charleston, West Virginia; Toledo, Ohio; or Flint, Michigan.

To sustain public health protection, states need congressional support. For the past 4 years, the PWSS program has flat funded, and the Drinking Water SRF funding has decreased. These essential programs come with well-documented needs, and they must be fully supported.

ASDWA recommends the PWSS program be funded at \$200 million, and we also recommend the Drinking Water SRF be funded at \$1.2 billion to allow us to continue to do this great work.

In summary, the 1996 amendments offered the community a promise of enhanced public health protection through a framework of both traditional and proactive collaboration between state drinking water programs and the water systems that they oversee. Maintaining funding for the Drinking Water SRF, the set-asides, and the PWSS program is critical.

State drinking water programs are committed to fulfilling the promise of the 1996 amendments. Thank you.

[The prepared statement of Ms. Daniels follows:]

“Drinking Water Systems Improvement Act”

**Subcommittee on Environment and the Economy
House Energy and Commerce Committee**

Friday, May 19, 2017

**By Lisa Daniels
Director,
Bureau of Safe Drinking Water
Pennsylvania Department of Environmental Protection
And President-Elect
Association of State Drinking Water Administrators (ASDWA)**

Good Morning Chairman Shimkus, Ranking Member Tonko, and Members of the Subcommittee. Thank you for this opportunity to talk about our Nation's drinking water systems and how state drinking water programs support them. My name is Lisa Daniels and I am the Director of the Bureau of Safe Drinking Water at the Pennsylvania Department of Environmental Protection. I am also the President-Elect of the Association of State Drinking Water Administrators (ASDWA), whose 57 members include the 50 state drinking water programs, five territorial programs, the District of Columbia and the Navajo Nation. Our members and their staff are on the front lines every day, ensuring safe drinking water and protecting public health. Their technical assistance and support, as well as oversight of the drinking water systems, are critical to providing safe drinking water and protecting public health.

Today, I'd like to talk with you about how the 1996 Safe Drinking Water Act (SDWA) Amendments have increased compliance for public water systems, the challenges that remain, and the tools and the resources that can be used for continuous improvement of the nation's water supply. My remarks will focus on the proactive elements of the 1996 Amendments and how these programs have built a framework of cooperation between water systems and state primacy agencies as well as enhanced performance by public water systems through training, education, outreach, and other support mechanisms.

Overview

For each of the 50 state drinking water programs, territorial programs, and the drinking water program of the Navajo Nation, our principal and enduring goal is public health protection. Vibrant and sustainable communities, their citizens, workforce, and businesses all depend on a safe, reliable, and adequate supply of drinking water. Economies only grow and sustain themselves when they have safe and reliable water supplies. More than 90% of the American population receives water used for bathing, cooking, fire protection, and drinking from a public water system – *overseen by state drinking water program personnel*. Public water systems rely on state drinking water programs to ensure they meet all applicable Federal requirements and the water is safe to drink.

The 1996 Safe Drinking Water Act (SDWA) Amendments

To meet the requirements of the Safe Drinking Water Act (SDWA), states have accepted primary enforcement responsibility for oversight of regulatory compliance and technical assistance efforts for more than 152,000 public water systems to ensure that potential health-based violations do not occur or are remedied in a timely manner. To achieve this public health protection goal, states interact with the public water systems through a broad range of activities, including:

- Adopting Federal regulations or developing their own state-level regulations that are at least as stringent as the Federal regulations;
- Providing technical assistance and training for water systems on regulations, treatment, and technical, managerial, and financial issues;
- Reviewing plans and specifications for modifications to existing water systems and water infrastructure improvement projects;
- Inspecting water systems, including a review of all components from source to distribution and an audit of systems' record-keeping;
- Managing operator certification programs to ensure that treatment plant operators and distribution system personnel are appropriately certified and trained;

- Managing laboratory certification programs to ensure that the compliance monitoring analytical results are of the appropriate quality;
- Managing source water protection and capacity development programs;
- Managing water system security and preparedness programs;
- Reviewing applications and closing loans for the Drinking Water State Revolving Loan Fund (DWSRF);
- Managing compliance data and reporting results to EPA's Safe Drinking Water Information System (SDWIS);
- In some states, collecting compliance samples and conducting laboratory analysis; and
- When necessary to ensure compliance with public health standards, taking enforcement actions.

States accomplish this range of activities through two principal Federal funding sources – the Drinking Water State Revolving Loan Fund (DWSRF) and the Public Water System Supervision (PWSS) grant program. Taken together, these two Federal funding programs provide the means for states to work with their water systems to ensure that public health is protected. More than 90 contaminants are currently regulated under the SDWA and the vast majority of community water systems are in compliance with the health based-standards. In fact, in the years since the 1996 SDWA Amendments were enacted, the national compliance percentage with health-based standards has increased from 85% to 93% (by 2013, the most recent date for which data is available). But what about those systems that struggle?

The Drinking Water State Revolving Fund (DWSRF)

We are all aware that one of the greatest challenges facing the drinking water community today is aging infrastructure. The DWSRF, although only 20 years old, is a remarkable success story. It has allowed states to award project dollars to utilities to help them upgrade their treatment plants, rehabilitate their distribution systems, install more protective technologies, and generally improve their aging infrastructure. Since its inception, the DWSRF has touched more than 852 million Americans through projects that enhance drinking water capabilities at water utilities. In the core DWSRF program, approximately \$18.2

billion in cumulative Federal capitalization grants have been leveraged by states into over \$32.5 billion in infrastructure loans to small and large communities across the country. 25.5% of the cumulative DWSRF assistance has been provided to disadvantaged communities. Such investments pay tremendous dividends – both in supporting our economy and in protecting our citizens' health. States have very effectively and efficiently leveraged Federal dollars with state contributions to provide assistance to more than 13,000 projects, improving health protection for millions of Americans. And, as described in the section below, DWSRF set-asides are an essential source of funding for states' core public health protection programs and work in tandem with infrastructure loans to support water system needs.

Drinking Water Set-Asides

A major component of the 1996 SDWA Amendments was new statutory language that allowed states, for the first time, to provide financial support for proactive measures in their work with drinking water systems to both support and meet their needs. These were all funded through what we call "set-asides" under the new Drinking Water State Revolving Loan Fund, the DWSRF. Specific percentages of a state's DWSRF can be set aside for programs relating to support for operator certification; enhancing a system's technical, financial, and managerial capabilities to attain and then sustain compliance with all applicable Federal requirements; and source water and wellhead protection initiatives; as well as training and technical assistance across all programmatic elements of implementing the SDWA. These proactive initiatives support water systems as they strive to enhance their performance and better protect public health. They also provide the financial wherewithal often not otherwise available for systems in need to meet their public health protection responsibilities. These programs offer the opportunity for states and systems to work together. Here's how they work...

Through the set-asides, states can provide training for operators. Programs can be designed to address specific needs from the simple, such as basic math, to the complex, such as how to run a jar test on raw water to determine the appropriate coagulant dose under variable water quality conditions. Such training opportunities mean that water system operators learn about new techniques to keep their systems in

good working order as well as learn how to meet new regulatory requirements. Training also helps operators maintain the necessary certifications to properly operate a variety of treatment technologies, noting that advanced water treatment technologies take a highly trained operator with a suite of math, water chemistry, mechanical, and computer skills to operator correctly. Through these state programs, operators may also improve their range of knowledge and take on greater responsibilities.

Set-asides also give states the flexibility to find ways to work with individual water systems to enhance and maintain their technical, managerial, and financial capabilities. This capacity development program allows states to provide support for struggling systems as a means to attain and maintain compliance without resorting to financial penalties or other enforcement mechanisms. While we tend to group systems into broad challenge categories —disinterested owners, no certified operator, inadequate rates —the reality is that each system presents a unique set of circumstances. Although technical proficiency is often the most obvious key to compliance, efficient management and effective financial strategies are equally critical components of a well-run water system. Capacity development, through the set-asides, allows the state drinking water program to respond to those unique challenges and fashion an effective and achievable solution for that system.

Source water and wellhead protection programs also make use of set-asides. As a first step, statewide source water assessments were developed to provide the framework for local utility-based source water protection programs. These programs can help systems avoid additional costs for increasing treatment capacity and avert the need to install advanced treatment technologies. Other uses include support for public water systems to update their assessments and develop and implement protection plans and voluntary, incentive-based actions such as agricultural resource and livestock management, land acquisition, and conservation easements that help protect source water quality and reduce nonpoint source pollution. As well, the set-asides are also used to implement stormwater management projects, abandoned well programs, and efforts to address malfunctioning septic systems to reduce the infiltration of contaminants into underground sources of drinking water.

While the above outlines many of the principal uses for set-asides, there are other ways that set-asides offer new opportunities for water systems to improve their capabilities. Set-asides also provide training on new science-based regulations, allow technical assistance to help systems understand and meet new rule requirements, and provide training for communications protocols such as Consumer Confidence Reports and enhanced Public Notification. States also have been enthusiastic partners with the EPA in bringing the concept of asset management to smaller water systems through training and technical assistance. Set-asides also support efforts such as developing performance-based training strategies and sharing area wide optimization protocols.

More recently, state drinking water programs, in concert with EPA, have been looking at new ways to encourage water systems to consider a range of low or no cost options to enhance their capabilities. They include a range of tools and resources such as shared purchasing, shared spare parts and back-up equipment, broader use of contract operations, contracted services (meter reading, payroll, billing, etc.), water line extensions (where feasible), system consolidation, formation of a regional water system, or purchase of an adjacent system. Loosely termed "partnerships," these options can be as simple as sharing a backhoe or as complex as merging with a neighboring system. States are encouraging systems to evaluate which, if any, of the range of options may improve their operations and better position them to protect public health. States are prepared to work with these systems should they decide to modify their management or operations.

As an example of how states use these set-asides in a proactive manner, I'd like to tell you about the Stockton Water System in my own state of Pennsylvania. Stockton is a very small (43 homes) community. Although its water system may have been in operation for several years, the original homeowners/managers/operators had moved away or passed away and Stockton was operating as an untreated, unfiltered, and unpermitted surface water system. The state "discovered" the system in 2014 because of customer complaints and found several pathogens in the water – *E. coli*, *Giardia*, and *Salmonella* just to name a few. While the violations continued to mount, traditional strategies or enforcement actions would have been of little practical use to the residents of Stockton. They needed a

different kind of help to regain confidence in their drinking water and know that their water was safe to drink.

Pennsylvania has developed two capacity development-based initiatives that came into play for Stockton. The first, the Capability Enhancement Facilitator Program, provided an initial assessment of TMF capability and also provided onsite technical assistance and education to help Stockton and local and state representatives understand the challenges. The second, Pennsylvania's Professional Engineering Services Program, helped with feasibility studies and design work to find the best approach to return Stockton to compliance. These two initiatives came together with the state's DWSRF program – PENNVEST. PENNVEST is the states SRF funding agency.

The three state-based programs worked collaboratively to identify what the state calls a "White Knight," a willing, well run partner, in this case the nearby Hazelton City Authority. Hazelton agreed to work with Stockton, make the DWSRF application, extend water service, and replace the existing distribution system in Stockton and keep water rates at an affordable \$35.50 per month. Total project cost? \$2.21 million underwritten by PENNVEST. Stockton now has a safe, reliable supply of drinking water and Hazelton now has 43 new customers.

Solutions such as this one would not be possible without the availability of set-asides to support water system challenges; providing an achievable path to a DWSRF loan; and restoring public health protection. In short, drinking water systems, and ultimately the public through increased public health protection, are the direct beneficiaries of the work accomplished through the DWSRF set-asides.

The PWSS Program

The Public Water System Supervision or PWSS program forms the critical core of all of our public health protection efforts. This program provides the means for state drinking water programs to ensure that all public water systems – large and small communities, schools, child care facilities, restaurants, places of business, highway rest stops, campgrounds – provide a reliable and safe supply of water that is available for all thirsty Americans. For more than 40 years, states have willingly accepted these responsibilities. In recent years, state drinking water programs have accepted additional responsibilities in water system security and resiliency that include working with all public water systems to ensure that critical drinking water infrastructure is protected, including cyber security; that plans are in place to respond to both natural and manmade disasters; and that communities are better positioned to support both physical and economic resilience in times of crisis.

More Work is Needed

From a public health perspective, 93% compliance with health-based standards is not optimal. State drinking water programs continue to strive toward a higher national goal for public health protection. The ability to support our water systems is essential to success for our communities. However, state drinking water programs are extremely hard pressed financially and the funding gap continues to grow. States must accomplish all the above-described activities – and take on new responsibilities – in the context of a challenging economic climate. State-provided funding has historically compensated for inadequate Federal funding, but state budgets have been less able to bridge this funding gap in recent years. State drinking water programs have often been expected to do more with less and states have always responded with commitment and integrity, but they are currently stretched to the breaking point. Insufficient funding support for these critical programs increases the likelihood of contamination events that put the public's health at risk. We do not want to see another Charleston, WV or Toledo, OH, or Flint, MI.

State drinking water programs want to broaden their support for water systems. They want to find the best solutions for the greatest number of system needs. They want to be able to help water systems sustain their abilities to provide reliable, safe water supplies at a reasonable cost to their customers. This is the public health protection goal for the drinking water community.

To achieve this goal, however, states need Congressional support. For the past four years, state PWSS programs have been flat funded at \$101.9 million. The DWSRF has seen decreased funding. In FYs 14 and 15, \$906.8 million was awarded for the infrastructure loan program but FYs 16 and 17 saw the award decrease to \$863.2 million. These essential public health programs with well-documented needs and successes must be fully supported, even in these economically challenged times.

ASDWA recommends that the PWSS program be funded at \$200 million to allow states to continue their core programmatic work with water systems to ensure safe drinking water. Additionally, ASDWA recommends that the DWSRF be funded at \$1 billion. This funding level will provide needed funding to make additional awards for infrastructure improvements, work with distressed communities in need, support small systems that need assistance to sustain their capabilities, and continue to provide training and technical assistance on the wide array of rules and regulations designed to protect public health. ASDWA also recommends that funding continue for WIFIA, as this new funding program shows promise for increasing the level of infrastructure investments.

Summary

In summary, the 1996 SDWA Amendments offered the water community a promise of enhanced public health protection through a framework of traditional and proactive collaborations between state drinking water programs and the water systems they oversee. Much progress has been made in these efforts and more work is needed to protect public health and maintain the economic health of our communities. State drinking water programs work in partnership at the Federal level with EPA and other Federal health and environmental programs.

Equally important are our local partners – the water utilities themselves. While most Americans receive, by volume, their drinking water from medium and large water utilities, the vast number of the 152,000 public water systems in the United States are small (more than 90% of all community water systems serve less than 10,000 people). Innovative tools and resources are needed to increase compliance for this large cohort of small systems. The level of effort required to support and sustain each of these systems requires trust and collaboration and a willingness to partner. State drinking water programs are committed to fulfilling the promise of the 1996 SDWA Amendments.

Mr. SHIMKUS. I thank the lady.

The chair now recognizes Mr. Kurt Vause, who gets the longest traveling award for getting here, Special Projects Director at Anchorage Water and Wastewater Utility, on behalf of the American Water Works Association.

You are recognized for 5 minutes. Welcome.

STATEMENT OF KURT VAUSE

Mr. VAUSE. Good morning, Chairman Shimkus, and members of the subcommittee. My name is Kurt Vause. I am the Special Projects Director for the Anchorage Water and Wastewater Utility from Anchorage, Alaska. I also serve as the Chair of the Water Utility Council and Acting Chair of the Asset Management Committee of the American Water Works Association.

We deeply appreciate this opportunity to offer the viewpoints and experiences of drinking water providers to the important deliberations and decisions of this committee.

The discussion draft of drinking water legislation this subcommittee is considering is a good step towards addressing the Nation's needs, to reinvest in its water infrastructure, and towards addressing other needs as well. I would like to briefly address three topics.

First, providing safe drinking water to communities requires a complex mix of engineering, capital investment, management, science, community engagement, and regulatory resources. This complexity makes it particularly difficult for many small systems to remain in compliance in regulation and maintain their infrastructure.

Options to help address these challenges include partnerships or regionalization to share resources among these systems, many who serve small systems and communities. Regionalization or partnerships encompass anything from physical connections to shared management, engineering, operations, and purchasing resources.

When a compliant utility absorbs or merges a noncompliant utility, that newly formed utility faces a regulatory compliance challenge. The SDWA ought to provide a finite grace period for the newly merged system to come into compliance with regulation. Whether a utility has explored consolidation should become one of the factors weighted in ranking SRF loans or in evaluating compliance options.

Second, all utilities manage their assets, but the practice we now formally call asset management is more scientific and focused. The goal of infrastructure asset management is to meet a required level of service in the most cost-effective manner at an acceptable level of risk through the management of assets for present and future customers.

We do not believe a specific level of asset management practice should be mandated, because that would put Congress or a regulatory agency in the business of defining asset management objectives. Utilities vary too greatly in strategic objectives, size, type of assets, geography, climate, source waters, type of treatment and distribution for a Federal definition to be practical.

Professional organizations such as AWWA are making education and asset management practice an ongoing part of our educational

efforts for members. For example, AWWA's upcoming annual conference. Our Asset Management Committee has developed a track of sessions on project infrastructure and asset management with five individual sessions containing 27 separate presentations.

We also believe there is a role States can play in similar efforts through the maintenance of the PWSS supervision grants. We urge Congress to maintain PWSS funding for fiscal year 2018 at no less the current authorization levels.

Third, as we have said before to Congress, local rates and charges have been and will likely always be the backbone of local water system finance. However, when major infrastructure projects require either to comply with regulations or replace aging infrastructure, there is a need for a quicker, larger infusion of cash than those rates and charges typically provide.

This is where the toolbox of utility finance comes into play. This spring, AWWA cosigned a two-page summary of how the Federal Government can assist water utilities in financing these challenges. The highlights of that were: Number one, preserve the tax-exempt status of municipal bonds; two, provide fully authorized funding for the Water Infrastructure Finance and Innovation Act, known as WIFIA, at \$45 million for fiscal year 2018; three, double appropriations for the drinking water and wastewater SRF programs; and four, remove the annual volume caps on private activity bonds for water infrastructure projects.

We realize appropriations come from the Appropriations Committees, but we seek your support in funding with these panels.

This concludes my remarks to the subcommittee. We also look forward to continuing dialogue with this panel after this hearing.

[The prepared statement of Mr. Vause follows:]



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**Funding, Management, and Compliance Assistance
under the Safe Drinking Water Act**

**Presented by
Kurt Vause
Special Projects Director
Anchorage Water & Wastewater Utility
&
Chair, Water Utility Council
American Water Works Association**

**Before the House Subcommittee on the Environment
May 19, 2017**

Good morning, Chairman Shimkus and members of the subcommittee. My name is Kurt Vause and I am Special Projects Director for the Anchorage Water and Wastewater Utility in Anchorage, Alaska. I also serve as chair of the Water Utility Council and acting chair of the Asset Management Committee of the American Water Works Association, on whose behalf I am speaking today. We deeply appreciate this opportunity to offer the viewpoints and experiences of drinking water providers to the important deliberations and decisions of this committee.

The Safe Drinking Water Act last saw significant amendment in 1996. That bill was an important improvement over the previous act as it created a very useful finance tool, the state revolving loan program, and set down a data-informed, methodical process for setting new regulations and revising existing ones. The last point is very significant. The Stage 2 Disinfection By-

Products Rule and Enhanced Surface Water Treatment Rule were major rulemaking efforts and have resulted in significant investments to upgrade treatment plants across the country. In the coming months, we expect to see a revised Lead and Copper Rule that will trigger important changes in the way communities address lead exposure. However, an updating of the 1996 Amendments to the SDWA is overdue. Our 2012 report, "Buried No Longer: Confronting America's Water Infrastructure Challenge" pointed out that this nation must spend \$1 trillion on drinking water infrastructure in the next 25 years to maintain our current levels of service. Based on our past observations, the cost of maintaining wastewater infrastructure are about equal. The discussion draft of drinking water legislation the subcommittee is considering takes a good first step in that direction. I will address certain features in this early draft and some additional issues.

Consolidation, partnerships or regionalization

Providing safe drinking water to communities requires a complex mix of engineering, capital investment, management, science, community engagement, and regulatory resources. This complexity makes it particularly difficult for many small systems to remain in compliance with regulation and maintain their infrastructure. Some small systems are finding it increasingly difficult to remain in compliance with regulations and remain fiscally sustainable. One option to help address the sustainability challenge leverages consolidation or regionalization to share resources among these systems, many whom serve small communities. Regionalization for water utilities encompasses anything from physical connection to shared management, engineering, operations or purchasing resources.

States at times encourage consolidation of these smaller, struggling systems into neighboring larger, stronger water utilities. The larger utility faces a regulatory compliance burden in these

merger or acquisition situations when the challenged system is not in compliance with regulations. By merging, the larger utility inherits the compliance challenge, and status, of the utility it means to serve. The SDWA ought to provide a grace period for the newly merged system to come into compliance with regulation. We understand this would have to be a finite period of time and would be happy to sit down with the committee and work out more details.

Some form of consolidation or regionalization should be one of the options a water system explores when it faces regulatory compliance or financial challenges. This exploration could become one of the factors weighed in ranking SRF loans or in bringing a system into compliance. The authorizing language for the state revolving loan fund prohibits the use of an SRF loan to "finance the expansion of any public water system in anticipation of future population growth." This effectively prohibits accessing an SRF loan until after a community has already grown. The rapid growth of communities in suburbs, the Sunbelt, the West, and even some city centers, already makes keeping up with infrastructure needs a challenge without the expansion prohibition of SRF. Drinking water and wastewater pipes, as well as roadways and sidewalks, must be built to meet the growing needs of a community, or in lockstep with rehabilitation efforts. We understand that the original intent of the language of the SRF was to prohibit use of this funding to support reckless sprawl. However, population trends, including infill, brownfield reclamation and urbanization make this provision obsolete for many communities.

The law could be improved by making it clear that using the SRF to help finance projects of consolidation for efficiency of operations and regulatory compliance does not violate the anti-sprawl provision. It should also give more leeway to utilities that clearly see future growth in certain areas near their current service areas.

Asset management

All utilities manage their assets, but the practice we now formally call asset management is more scientific and focused. The goal of infrastructure asset management is to meet a required level of service, in the most cost effective manner, at an acceptable level of risk, through the management of assets for present and future customers. (AWWA, 2015). Advanced asset management practice helps a utility understand the state of what assets it has, the required service levels assets are to provide, the risk of asset failure to achieving utility objectives, and what operations and maintenance strategies are best to use. It is matched with the development of a long-range financial plan to finance and fund utility operations so together, the right assets are available at the right time for the right price. This knowledge helps utilities get the most out of the dollars invested and meet required service standards.

We do not believe a specific level of asset management practice should be mandated because that would put Congress or a regulatory agency in the business of defining asset management practices. Utilities vary too greatly in strategic objectives, size, types of assets, geography, climate, source waters, types of water treatment and distribution, etc., for a federal definition to be practical. Professional organizations such as AWWA are making education in asset management practice an ongoing part of our educational efforts for members. For example, for AWWA's annual conference to be held this coming June, I helped develop a track of sessions on project infrastructure and asset management with five individual sessions containing 27 separate presentations. For our Water Infrastructure Conference in Houston in the fall, AWWA's Asset Management committee was asked to assemble a hands-on session for developing asset management plans. We have a web page dedicated to asset management that provides access to publications, journal articles, and similar resources. We believe in educating water providers

and related professionals about leading asset management practices and will continue our outreach efforts in this field.

Public water system supervision (PWSS) grants

Last month, AWWA cosigned a letter to congressional appropriators urging that PWSS grants not be cut in the fiscal year 2018 budget, as was proposed in the president's budget. We explained, "State drinking water programs use PWSS funds to ensure that water utilities have the information, technology, and capabilities to meet their mandated regulatory responsibilities -- an essential component of public health protection.

"Utilizing the PWSS grants, these state programs provide educational programs, training and technical assistance where needed. In other words, the PWSS grant program provides the means for states to work with drinking water utilities to ensure that American citizens can turn on their taps with confidence that the water is both safe to drink and available in adequate quantities.

"PWSS funds are distributed to the states, five territories, and the Navajo Nation to provide oversight of approximately 151,000 public water systems; assist in their understanding of their regulatory responsibilities; and assist in consistent compliance and enforcement of drinking water regulations, particularly where public health may be threatened."

Cosigning the letter were the Association of Metropolitan Water Agencies, Association of State Drinking Water Administrators and the National Association of Water Companies. It is Attachment A to this testimony.

SRF enhancements

We addressed the subcommittee earlier in the year about areas for exploring improvement in the state revolving loan fund program. We will reiterate that the application process seems to widely vary from state to state. We encourage the U.S. Environmental Protection Agency to convene SRF stakeholders to develop educational materials to help guide states streamline and normalize the application and loan capitalization process. Right now, we see a once-a-year snapshot of undisbursed SRF balances in each state. The report we saw from June 2016 showed states with everywhere from 2 to 38 percent of their SRF capitalization funds undisbursed at the end of the states' fiscal years. That annual snapshot may not be fairly portraying how efficiently states are moving money or it may be showing where help is needed to get SRF loans out the door. We just don't have the data to know either way. We urge that states be required to provide quarterly snapshots of undisbursed balances to we know where help is needed.

SRF loans require recipients to track compliance with state and federal goals for minority, women and/or disadvantaged business enterprise participation. To comply with these goals, different programs of various primacy agencies can stipulate different methods of tracking. This is another example of where we encourage the U.S. Environmental Protection Agency to convene SRF stakeholders to develop educational materials to help guide states in order to streamline recipients administration of loans.

Another enhancement is added flexibility in repayment terms of SRF loans. To some communities, the terms of repayment will necessarily lead to a limited use of SRF financing of critical infrastructure needs. Adding more flexibility in repayments, such as longer periods for

repayment of principal and interest on loans, not to exceed the useful lives of assets acquired, offers states another way to enhance affordability.

The SRF currently requires compliance with Davis-Bacon and Buy America laws and proof of cross-cutting compliance with other environmental laws. Altogether, this not only raises the burden of application for an SRF loan – particularly for smaller systems – but exposes the utility receiving the loan to additional legal hazards. A number of states and municipalities have their own Davis-Bacon-like or Buy America or environmental cross-cutter laws. In such states, the federal requirements are a redundancy and still require their own documentation. We applaud efforts to try and streamline the cross-cutter requirements in the discussion draft. We encourage the committee to look at other opportunities to streamline similar requirements. For example, there is a waiver available from Buy America requirements if the cost of domestic materials causes the cost of the entire project to increase by 25 percent. This is an unrealistic requirement as materials alone often are less than 25 of a total project's costs. We urge that this be changed to make the waiver available if the domestically produced material costs in question themselves are more than 25 percent greater than materials meeting the same quality and performance requirements.

Source water protection

The necessity of protecting our source waters was dramatically illustrated in August 2014 when the Toledo, Ohio water system had to shut down because of harmful algal blooms in Lake Erie.

AWWA and other water associations believe strongly that it is better to prevent contaminants from entering a watershed than to treat them after they have entered water supplies. That is why we have, for example, ramped up efforts to educate water utilities about partnership

programs at the U.S. Department of Agriculture in which utilities work out source water solutions in a cooperative manner with upstream farmers and ranchers.

We note that the discussion draft would allow up to 10 percent of the annual SRF capitalization grants to a state to be used for source water delineations, assessments or updates. We note that already, states are allowed to use up to 4 percent of the capitalization grants to administer the SRF and another 27 percent for other purposes. In this era when we are trying hard to reinvest in our nation's water infrastructure, we question this diversion. We would definitely want to see such diversions capped to a finite number of years, such as four years, as it was in the 1996 Amendments.

Water infrastructure finance

As we have said before to Congress, local rates and charges have been, and will likely always be the backbone of local water system finance. However, when major infrastructure projects are required, either to comply with regulations or to replace aging infrastructure, there is a need for a quicker, larger infusion of cash than those rates and charges can provide. That is where the toolbox of utility finance comes into play. This spring AWWA cosigned a two-page summary of how the federal government can assist water utilities in finance challenges. The highlights are as follows:

1. Preserve the tax-exempt status of municipal bonds.
2. Provide fully authorized funding for the Water Infrastructure Finance and Innovation Act (WIFIA).
3. Double appropriations for the drinking water and wastewater SRF programs.
4. Remove the annual volume caps on private activity bonds for water infrastructure projects.

Note that earlier in this testimony, we recommended improved tracking of SRF capitalization grants. We urge that Congress and EPA implement measures such as quarterly reporting of undisbursed SRF funds before providing additional SRF funds. The committee is already familiar with the value of the SRF program, particularly for water systems with the greatest compliances challenges. WIFIA is a relatively new program, but its potential value for rehabilitating the nation's water infrastructure was illustrated dramatically this spring. Congress appropriated funds for WIFIA to begin making loans last December. Applying for a WIFIA loan is a two-step process. First a utility or community sends a letter of interest to EPA. That triggers a dialogue between the agency and the utility or community. Then if the agency sees that the utility or community is likely to qualify for a WIFIA loan, it encourages the utility or community to file a formal application.

EPA accepted the first round of letters of interest until midnight April 10. It received 43 letters of interest for drinking water, wastewater and stormwater projects. Congress appropriated enough money for WIFIA to award about \$1 billion in loans. The letters of interest received in April sought about \$6 billion in WIFIA loans, and because WIFIA only funds 49 percent of a project's costs, that means those letters of interest were for about \$12 billion in water infrastructure work. We are grateful for the funds Congress appropriated in December and for the additional \$10 million appropriated in the recent continuing resolution, and we urge Congress to appropriate the fully authorized \$45 million for FY2018. WIFIA represents a great investment for the federal government since it is strictly a loan program with no grants. Funds supporting infrastructure projects come back to the Treasury. Modeled after the successful transportation program, TIFIA, WIFIA leverages appropriations to maximize investment. The credit history of water utilities supports WIFIA's ability to provide a leverage ratio of up to 1:65 according to congressional estimates. A fully authorized FY2018 WIFIA would support nearly \$3 billion in needed infrastructure investment.

Cosigning the two-pager on finance with AWWA were the Association of Metropolitan Water Agencies, the National Association of Clean Water Agencies, the Water Environment Federation, the U.S. Water Alliance, the Water Environment Research Foundation, the Water Research Foundation, WaterReuse and the Water and Wastewater Equipment Manufacturers Association. It is Attachment B. We realize that the tax code and actual appropriations are outside the jurisdiction of this committee, but we do urge you to contact your colleagues on the relevant committees in support of these policies and funding.

Integrated Planning

AWWA has taken notice of work by various members of Congress to help provide states and municipalities with greater flexibility to prioritize and more effectively manage obligations under the Clean Water Act (CWA). In fact, just yesterday, the House Transportation and Infrastructure Subcommittee on Water Resources and Environment held a hearing on "Improving Water Quality through Integrated Planning." This hearing examined the difficulties that communities face in meeting the regulatory requirements of the CWA given dwindling resources, as well as codifying the 2012 Integrated Planning Framework developed by EPA in order to help communities meet their regulatory obligations. AWWA is pleased with this development, and would like to urge this subcommittee to expand that work and bring the drinking water sector into the integrated planning process. Communities and municipalities don't look at their regulatory obligations in a vacuum, and must view water holistically. AWWA recommends Congress include drinking water requirements contained within the 1996 amendments of SDWA in any integrated planning framework to give communities across the country the flexibility to more effectively meet their regulatory obligations, while also better protecting public health.

This concludes my remarks, and I will be happy to take questions from the subcommittee. We also look forward to continued dialogue with this panel after this hearing.

What is the American Water Works Association?

The American Water Works Association (AWWA) is an international, nonprofit, scientific and educational society dedicated to providing total water solutions and assuring the effective management of water. Founded in 1881, the association is the largest organization of water professionals in the world.

Our membership includes more than 4,000 utilities that supply roughly 80 percent of the nation's drinking water and treat almost half of the nation's wastewater. Our 50,000 members represent the full spectrum of the water community: public water and wastewater systems, environmental advocates, scientists, academicians, and others who hold a genuine interest in water, our most important resource. AWWA unites the diverse water community to advance public health, safety, the economy, and the environment.

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April 25, 2017

The Honorable Ken Calvert, Chair
The Honorable Betty McCollum, Ranking Member
House Appropriations Subcommittee on Interior, Environment and Related Agencies

The Honorable Lisa Murkowski, Chair
The Honorable Tom Udall, Ranking Member
Senate Appropriations Subcommittee on Interior, Environment and Related Agencies
United States Congress
Washington, DC

Dear Chairman Calvert, Ranking Member McCollum, Chairwoman Murkowski, Ranking Member Udall,

We, the undersigned organizations, are all dedicated to protecting the public health and economic health of communities across the nation through the provision of safe drinking water. We urge Congress to help in this by sustaining funding that allows state drinking water programs to achieve these goals through the Public Water System Supervision (PWSS) grant program, as codified in the Safe Drinking Water Act.

We all understand the escalating need to reinvest in the country's water infrastructure. We endorse actions such as increasing funding for the drinking water state revolving loan fund program (DWSRF) and the Water Infrastructure Finance and Innovation Act (WIFIA) program. However, building or renewing infrastructure alone is not the solution for protecting the health of our citizens and the economic health of our communities.

State drinking water programs use PWSS funds to ensure that water utilities have the information, technology, and capabilities to meet their mandated regulatory responsibilities – an essential component of public health protection. Utilizing the PWSS grants, these state programs provide educational programs, training and technical assistance where needed. In other words, the PWSS grant program provides the means for states to work with drinking water utilities to ensure that American citizens can turn on their taps with confidence that the water is both safe to drink and available in adequate quantities.

According to a 2013 resource-needs analysis of state drinking water programs, "...even as resource needs are increasing, the funding availability to support the state drinking water programs in their mission has stagnated...if funding continues at current levels, states will not have adequate funding to support their minimum base programs over the next ten years." (*Insufficient Resources for State Drinking Water Programs Threaten Public Health: An Analysis of State Drinking Water Programs' Resources and Needs, December 2013*)

Federal funding for this vital program has essentially remained flat for the past several years at \$101.9 million. However, the need for state drinking water programs to perform mission-critical functions has never been more important. Funding for this program must not be decreased, particularly given the ever-increasing responsibilities states are taking on in public health protection. Without robust funding, we are shortchanging ourselves.

PWSS funds are distributed to the states, five territories, and the Navajo Nation to provide oversight of approximately 151,000 public water systems; assist in their understanding of their regulatory responsibilities; and assist in consistent compliance and enforcement of drinking water regulations, particularly where public health may be threatened. More than 90% of the U.S. population receives water for bathing, cooking, and drinking from a public water system – overseen by state drinking water program personnel.

Having economically vibrant communities, healthy citizens, a productive workforce, and sound businesses depends on a safe and reliable supply of drinking water. Through the PWSS program, state drinking water programs support the water utilities that are essential to these goals.

Please maintain funding for the PWSS program at least at current levels.

Thank you,

G. Tracy Mehan, III
Executive Director Government Affairs
American Water Works Association
202 628-8303

Diane VanDe Hei
Chief Executive Officer
Association of Metropolitan Water Agencies
202 331-2920

Michael Deane
Executive Director
National Association of Water Companies
202 833-8383

Alan Roberson
Executive Director
Association of State Drinking Water Administrators
703 812-9505

ELEVATE WATER

as a

NATIONAL PRIORITY

AMERICA'S ECONOMIC FUTURE DEPENDS ON SAFE AND CLEAN WATER

America's future economic strength depends on investments made today in water infrastructure. These investments create jobs and support the economy. Consider these facts: Every \$1 invested in water and wastewater infrastructure increases long-term GDP by \$6.35; each job created in water and wastewater leads to 3.68 jobs in the national economy; over \$86 billion annually is spent on water-related sports activities. Studies also show that the US economy would stand to gain over \$200 billion in annual economic activity and 1.3 million jobs over a 10-year period by meeting its water infrastructure needs. But, without this investment, breakdowns in water supply, treatment and wastewater capacity are projected to cost manufacturers and other businesses over \$7.5 trillion in lost sales and \$4.1 trillion in lost GDP from 2011 to 2040.

AMERICA'S QUALITY OF LIFE DEPENDS ON SAFE AND CLEAN WATER

Well-functioning water and wastewater systems, and the research efforts to support them, are critically important to America's quality of life. Past investments in drinking water, wastewater and stormwater infrastructure have left America with some of the best drinking water in the world, while providing our children with safe water for swimming and bathing, and our cities and towns with opportunities to revitalize waterfronts to support new businesses, residences, and recreational activities.

However, investment in water, wastewater and stormwater infrastructure and research has failed to keep pace with maintenance demands and emerging hydrological threats, putting our quality of life gains at risk.

FEDERAL INVESTMENT ENSURES SAFE AND CLEAN WATER

Since enactment of the Clean Water Act in 1972 and the Safe Drinking Water Act in 1974, Congress has supported a strong federal funding partnership with States and local ratepayers to pay for this critical infrastructure through:

- Investments in the Drinking and Clean Water State Revolving Funds, which return over \$.93 to the Federal Treasury for every \$1 invested;
- Tax-exempt municipal bonds, which financed nearly \$38 billion in water and wastewater infrastructure in 2016; and,
- WIFIA, the Water Infrastructure Finance and Innovation Act, which has the potential to leverage over \$60 for every \$1 invested in major water and wastewater projects.

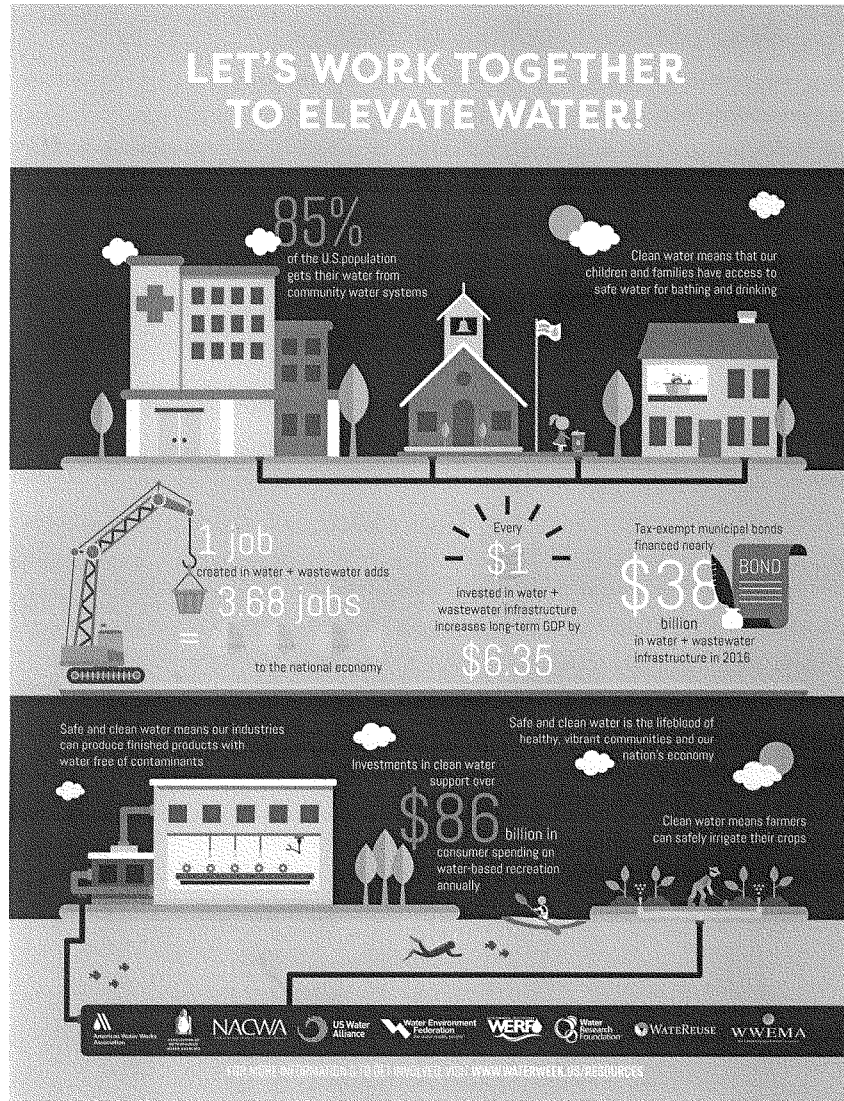
Yet EPA estimates that America's water and wastewater infrastructure requires more than \$650 billion worth of investment over the next 20 years just to maintain current levels of service, and independent estimates place this figure over \$1 trillion. While local ratepayers will shoulder much of this burden, all levels of government must be part of the solution.

IT IS TIME TO RENEW THE LOCAL-STATE-FEDERAL SAFE AND CLEAN WATER FUNDING PARTNERSHIP

WE CALL ON CONGRESS TO ENSURE:

- ◆ **\$2.8 BILLION** for Clean Water State Revolving Fund for FY2018
- ◆ **\$1.8 BILLION** for Drinking Water State Revolving Fund for FY2018
- ◆ **\$45 MILLION** for Water Infrastructure Finance and Innovation Act for FY2018 (WIFIA)
- ◆ **\$50 MILLION** for the Bureau of Reclamation's water reuse and recycling program (Title XVI)
- ◆ **\$5 MILLION** for National Priorities Research Funding
- ◆ **FULL TAX-EXEMPT STATUS** for interest earned on municipal bonds
- ◆ **REMOVAL OF THE CAP** on tax-exempt private activity bonds for water and wastewater infrastructure

For more information on these statistics and to get involved, visit www.waterweek.us/resources



Mr. SHIMKUS. The chair thanks the gentleman.

The chair now recognizes Ms. Lynn Thorp, National Campaigns Director at Clean Water Action.

You are recognized for 5 minutes.

STATEMENT OF LYNN THORP

Ms. THORP. Thank you.

Good morning, Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee. My name is Lynn Thorp. I am National Campaigns Director at Clean Water Action. We are a national organization with 1 million members working in 15 states on health and environmental projects with an emphasis on drinking water issues.

Thank you for the opportunity to provide comments on the Drinking Water System Improvement Act. Recent high profile events have highlighted the importance of infrastructure investment, effective system operation, and source water protection. From the drinking water crisis in Flint, Michigan, to the leaking chemical storage tank that contaminated the Elk River in West Virginia, we have seen how taking drinking water for granted can lead to public health risks and economic disruption of entire communities.

Our approach to meeting 21st century drinking water challenges needs to be a holistic one. It should include not only increased investment in infrastructure, but also sufficient resources for effective oversight of Safe Drinking Water Act compliance by Federal and state primacy partners, more funding for research and innovation, more attention to keeping drinking water sources clean, and a vision for how we want our drinking water systems to look in the second half of the 21st century.

You can see some ideas about that in the testimony from the witnesses we have heard from already this morning and in the 2016 U.S. Environmental Protection Agency Drinking Water Action Plan.

We do hope this subcommittee will consider provisions in the Safe Drinking Water Act Amendments of 2017, H.R. 1068, introduced by Representatives Tonko and Pallone earlier this year. Transparency, how we determine which contaminants to regulate, climate resiliency and drought, threats to drinking water from oil and gas and other activities, water efficiency, and technology innovation are all important if we are to maintain a high quality of drinking water and healthy water systems.

We support Drinking Water State Revolving Fund authorizations commensurate with those proposed in the AQUA Act mentioned earlier today, which would authorize over \$3 billion in fiscal year 2018, and increase thereafter reaching \$5.5 billion on fiscal year 2022.

AWWA, the American Society of Civil Engineers, and EPA have repeatedly found investment needs orders of magnitude greater than those authorizations I have mentioned. Ambitious authorizations signal a commitment to clean drinking water and are a reasonable contribution to the mix of funding sources available to drinking water systems.

We also support increased authorizations for Public Water Systems Supervision grants. The Association of State Drinking Water Administrators has estimated the gap in needs between current funding and comprehensive State programs to be \$300 million or more annually. As noted earlier, bridging this gap will increase public health protection and support sustainable drinking water systems.

Drinking Water State Revolving Fund dollars can be spent on numerous activities that support those goals: pipe replacement, treatment upgrades, source water protection, improvements for storage, and system restructuring and consolidation. We want to highlight just two of those here as examples: pipe repair and replacement and source water protection.

As you know, EPA estimates we may have between some 6 1A½ or even more than 10 million lead service lines or partial lead service lines in the United States. Lead is a highly poisonous metal, and children under 6 are most at risk. Increased investment can help more communities move sooner to full lead service line replacement.

American Society of Civil Engineers also estimates there are over 240,000 water main breaks each year due to deteriorating and poorly maintained pipes. As you probably know, just this week, a pipe from 1860, a water main broke right in Northwest, D.C. We lose water through leaks in mains and service lines as well, and these disruptions threaten public health, allowing pathogens to get into the pipes and, of course, lead to loss of treated water. Some estimates say up to 18 percent of treated water, which is a valuable commodity, if you will.

So shoring up our underground drinking water infrastructure not only protects public health, reduces lost revenue for drinking water systems, but also leads to less disruption, like we saw in parts of D.C. just this week.

We can also use Drinking Water State Revolving Funds for source water protection, and many communities are using innovative strategies in this area. The return on investment there is clear in terms of public health protection. And the EPA estimates that every dollar spent on protecting a drinking water source saves \$27 in drinking water treatment.

I just want to close by noting that EPA programs are fundamental to the success of state programs and water systems. So increased state revolving fund investment won't be as effective if at the same time EPA lacks staffing and funding for oversight, enforcement, research, development of contaminant standards, support for small systems, and other critical activities.

We urge subcommittee members to oppose cuts in EPA funding as well as rollbacks of health and environmental protections that would put our Nation's drinking water sources at risk of contamination.

Thank you for the opportunity to provide these comments.
[The prepared statement of Ms. Thorp follows:]



Testimony of
Lynn W. Thorp
National Campaigns Director
Clean Water Action

Before the
U.S. House of Representatives Energy and Commerce Committee
Subcommittee on the Environment

Good morning. I am Lynn Thorp, National Campaigns Director at Clean Water Action. We appreciate the opportunity to provide testimony at today's hearing. Clean Water Action is a national organization working in 15 states on a wide range of environmental and health issues. Our work includes a focus on Safe Drinking Water Act implementation and on protecting drinking water sources through upstream pollution prevention programs. I have worked at Clean Water Action for 18 years. I have served two terms on the National Drinking Water Advisory Council (NDWAC), which advises the U.S. Environmental Protection Agency (EPA) on drinking water issues. I have also served on Federal Advisory Committees and NDWAC Work Groups to consider major SDWA implementation activities including revisions to the Lead and Copper Rule and the Total Coliform Rule and development of the Contaminant Candidate List process.

Thank you for the opportunity to provide comments on the *Drinking Water System Improvement Act* and on the critical issues involved in Safe Drinking Water Act compliance and on how federal requirements and support can help ensure that our nation's drinking water systems are doing the best possible job of protecting, treating and distributing drinking water.

Over the last several years, high profile drinking water contamination events focused renewed attention on drinking water and highlighted the importance of infrastructure investment and source water protection. From the drinking water crisis in Flint, Michigan to the leaking tank that contaminated the Elk River in West Virginia, we have seen how taking drinking water for granted can lead to public health risk and economic disruption of entire communities. There is a critical need to invest in our nation's drinking water infrastructure and in other activities that support ensuring Safe Drinking Water Act compliance and sustainable management of drinking water systems. Our approach to meeting 21st century drinking water challenges needs to be a holistic one. It needs to include not only increased investment in infrastructure through programs including the Drinking Water State Revolving Fund, but more effective oversight of Safe Drinking Water Act compliance by federal and state primacy partners, more funding for research and dedication to innovation, more attention to keeping contamination out of our nation's drinking water sources, and a vision for how we want our drinking water systems to look in the second half of the 21st century. Some valuable ideas for this holistic approach are reflected in the U.S. Environmental Protection Agency's (EPA) 2016 *Drinking Water Action Plan*.

The Future of the Safe Drinking Water Act

The Safe Drinking Water Act Amendments of 2017, H.R. 1068, introduced by Representatives Tonko and Pallone earlier this year, includes provisions around critical issues for the future of clean drinking water in the United States. We hope that as the Subcommittee considers *The Drinking Water Improvement Act* that it will consider these provisions, including those around lead, drinking water in schools, climate resiliency and drought, oil and gas threats to drinking water, monitoring technology research and system restructuring. Our comments today are focused primarily on increased investment through the Drinking Water State Revolving Fund program.

Increase Authorizations for the Drinking Water State Revolving Fund Program

We need to substantially increase investment in drinking water through the Drinking Water State Revolving Fund. The discussion draft provided for today's hearing did not include details on proposed authorizations. We support funding levels commensurate with those proposed in the "*AQUA Act*," Title IV of H.R. 1068, which would authorize over \$3 billion in fiscal year 2018 and increase thereafter reaching \$5.5 billion in fiscal year 2022. The American Water Works Association, the American Society of Civil Engineers, and EPA have repeatedly determined drinking water investment needs to be orders of magnitude larger than these proposed levels. These levels of authorization for the Drinking Water State Revolving Fund represent a quite reasonable contribution from one source of federal investment in clean drinking water, a goal resoundingly supported by the public.

The return on investment for increased Drinking Water State Revolving Fund authorizations will be experienced in more public health protection, stronger local economies, and more sustainable drinking water systems. Drinking Water State Revolving Fund dollars can be spent on numerous activities that support these goals, including pipe replacement, treatment upgrades, source water protection, storage improvements and system restructuring. We note two examples – pipe repair and replacement and source water protection.

Drinking Water SRFs - Pipe Replacement – Lead Service Lines and Leaks

Drinking Water State Revolving Funds can be used for water main and service line replacement. EPA estimates that there are 6.5 million to perhaps over 10 million service lines made at least partially of lead in the United States. Many communities are interested in getting these service lines out of the ground to eliminate the largest source of lead in contact with water. Lead is a highly poisonous metal and can affect almost every organ in the body and the nervous system. Children under six are most at

risk from lead poisoning. Even low levels of lead exposure have been found to permanently reduce cognitive ability and cause hyperactivity in children. Full lead service line replacement projects can not and will not be financed solely by Drinking Water State Revolving Fund investment, but increased authorizations can help more communities move sooner to full lead service line replacement.

The American Society of Engineers has estimated that there are 240,000 water main breaks annually due to deteriorating and poorly maintained pipes. Water is also lost through leaks and breaks in mains and services lines that go undetected and unrepaired. These pipe disruptions threaten public health, by offering the opportunity for pathogens and other contaminants to enter the drinking water distribution system. They also lead to an estimated 14-18% loss of treated drinking water. Pipe repair and replacement delivers other public health and efficiency benefits. Shoring up our underground drinking water infrastructure will guarantee more public health protection, less lost revenue for water systems and less disruption from unexpected main breaks.

While not in this subcommittee's jurisdiction, we note that increased investment in Clean Water State Revolving Funds is also critical, and will contribute to improved water quality nationwide and thus to cleaner drinking water sources.

Drinking Water SRF's - Protecting Our Nation's Drinking Water Sources

Drinking Water State Revolving Funds can be used for source water protection activities, and many communities are using innovative strategies to leverage use of SRF funds and other sources to keep drinking water sources cleaner. The return on investment for protecting drinking water sources is clear. According to EPA, every dollar spent protecting a drinking water source results in savings of up to \$27 on water treatment. We support proposals to allow States to use Drinking Water SRF funds to work with water systems to update source water assessments, identify vulnerabilities and prepare protection plans.

Prioritize Communities Most in Need

We support additional targeted funding for disadvantaged communities as well as more flexibility in the form of grants or loan forgiveness for communities that face major health threats. EPA and states should be able to prioritize investment in communities of color and low-income communities that have been demonstrated to be most at risk and where other sources of investment, including municipal and state support, have not been forthcoming.

Research and Innovation Can Improve Efficiency, Transparency and Drinking Water Quality

We urge the Subcommittee to support increased investment in drinking water research and innovation. We lack sufficient data in a number of areas that are critical for protecting public health and for keeping Safe Drinking Water Act program up to date, including contaminant occurrence in drinking water sources, health effects from drinking water contaminants, and treatment. Innovation data and information systems could be valuable in numerous areas, including increased transparency, better public engagement and awareness, more effective oversight, more sustainable water systems, and ultimately increased public health protection.

State Programs Need Increased Support

Most states implement the Safe Drinking Water Act in partnership with EPA. Inadequate state agency resources for Safe Drinking Water Act implementation is a chronic problem. The Association of State Drinking Water Administrators (ASDWA) estimates that the gap between needs and current funding for comprehensive state programs is \$308 million. Meeting the gaps in state drinking water program will increase public health protection, lead to more effective implementation of drinking water protections, and support progress toward 21st century drinking water systems.

EPA Activities Are Critical to Effective Investment

EPA programs that implement the Safe Drinking Water Act and support state programs and water system compliance are critical to the success of those state programs and to the quality of our

nation's drinking water. Increased Drinking Water State Revolving Fund investment will not lead to better drinking water quality or more sustainable drinking water systems in the face of inadequate EPA staffing and funding to support oversight, enforcement, research, development of contaminant standards, support for small systems and other critical activities.

Thank you for the opportunity to provide these comments.

Mr. SHIMKUS. Thank you.

The chair now recognizes Mr. James Proctor, Senior Vice President and General Counsel at McWane, Inc.

You are recognized for 5 minutes.

STATEMENT OF JAMES PROCTOR

Mr. PROCTOR. Chairman Shimkus, Ranking Member Tonko, Chairman Walden, Ranking Member Pallone, members of the subcommittee, good morning. I am Jim Proctor from McWane in Birmingham, Alabama, and I greatly appreciate the opportunity to be here this morning to testify about an issue that is so vital to our Nation's health, economy, and security.

For almost 200 years, McWane has proudly provided the building blocks for our Nation's water infrastructure, supplying the pipes, valves, fittings, and related products that transport clean water to communities and homes across the country. We employ more than 6,000 team members who work in 14 States and 9 other countries. Most of those team members are represented by the United Steelworkers and other labor organizations who we consider as partners in our efforts to improve our economy and our communities.

I am pleased that the Committee is considering efforts to modernize the Drinking Water State Revolving Fund. The Drinking Water SRF has played a key role in delivering the investment efficiently to communities throughout the Nation. However, as the Committee has recognized, it needs reform to make it more responsive to the scale of America's water infrastructure needs.

A vital component of any drinking water SRF improvement is a significant and consistent annual authorization level to spur increased capital investment. This investment will create and preserve the highways jobs that make these products and allow producers to harness the economies of scale that make American products more competitive. These impacts have a multiplier effect as they ripple through supply chains.

We also need to invest those dollars wisely. Like generations before us, we should rebuild our infrastructure with the most durable energy efficient and safe materials available. And smart technology offers many innovative solutions that can improve system management and reduce cost to cash-strapped utilities. But increased funding and better management do American workers and industry little good if their tax dollars are spent on unfairly traded foreign imports.

Like many other American manufacturers, we have made huge investments to modernize our operations to exceed the world's most rigorous environmental safety and regulatory standards. But we must compete every day against foreign state-owned or state-subsidized foundries that do not operate by any comparable regulatory standards and have little regard for workplace safety or the environment. This creates significant competitive disadvantages and have led to lost sales, closed plants, and lost jobs. And as the factories that once built our Nation's infrastructure disappear, communities lose the vital tax revenues and rate payers needed to operate and maintain their water systems.

Put simply, we can't continue to divorce Federal regulatory policies from procurement policies. The same Federal Government that

regulates our operations and taxes our workers should use their tax dollars to purchase domestic products for the Nation's infrastructure, particularly when foreign alternatives are produced in conditions that would make members of this esteemed body cringe.

Fortunately, this problem has been mitigated recently by the application of the American Iron and Steel Buy American preference to the SRFs and WIFIA programs. Buy America has created incentives to preserve increased production capacities in the United States and to maintain work forces critical to sustaining the communities around them. I can say with pride and relief that this Buy American preference has saved at least one of our plants and preserved hundreds of jobs in the economically depressed area.

By 2008, our waterworks fittings plant in Anniston, Alabama, was the last surviving domestic manufacturer of these products. At one time, there were as many as a dozen such plants in the U.S., but all fell victim to the unfair competition I described previously. Even that lone survivor was at risk of closure during the Great Recession, operating at around 30 percent of its production capacity. But because of Buy American, that plant has increased its capacity utilization to almost 70 percent, added product offerings, and more than doubled the number of jobs. Our other plants have seen similar benefits.

But the impacts aren't limited to our operations. Because of Buy America, the primary importer of waterworks fittings has brought its production back to the United States, recently purchasing a domestic production facility and restoring hundreds of American jobs, while increasing competition in the marketplace.

In 2014, Congress codified the Buy American preference for the Clean Water SRF and WIFIA. Over that same time, it has been applied to the Drinking Water SRF through the annual appropriations process.

Congress should align the Drinking Water SRF with the Clean Water SRF, WIFIA, and other Federal infrastructure programs, like transportation, of making the provision permanent. This will not only preserve jobs, but a consistent standard will increase administrative efficiency and reduce costs since many water projects tap into multiple federal funding sources.

The reformation and reauthorization of the Safe Drinking Water Act programs with the Buy American preference are crucial to our Nation's health and prosperity. We at McWane are honored to have the opportunity to contribute to that process.

Thank you very much.

[The prepared statement of Mr. Proctor follows:]

**Before the House Energy and Commerce Committee
Subcommittee on Environment and the Economy
Hearing on**

**H.R. ____, Drinking Water Improvement Act and Related Issues of Funding, Management, and
Compliance Assistance under the Safe Drinking Water Act**

May 19, 2017

**Testimony of
James M. Proctor II
McWane, Inc.
Senior Vice President and General Counsel**

Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee:

Thank you for the opportunity to testify about an issue vital to our nation's health, economy and security. Water is our most precious resource, one that is essential to human life and health. Access to water depends upon a reliable water infrastructure system that preserves, treats, and delivers safe drinking water to our nation's communities. For almost 200 years McWane, Inc. has proudly provided the building blocks for our nation's water infrastructure, supplying the pipe, valves, fittings and related products that transport clean water to communities and homes across the country and around the world. In the process we employ more than 6000 team members who work in 25 manufacturing facilities in 14 states and in additional operations in 9 other countries.

Despite its obvious importance, “out of sight, out of mind” best describes the nation’s attitude toward water infrastructure. Potholes, train wrecks, and delayed flights are much more visible; thus, transportation needs often crowd out our attention to water as a serious infrastructure need. But the reality is that much of America’s drinking water, wastewater, and stormwater infrastructure, including the more than one million miles of pipes beneath our streets, is nearing the end of its useful life and must be replaced. Many communities strain to maintain and operate their water treatment systems. According to the U.S. Census Bureau, nearly half a million U.S. households still do not have access to safe drinking water or a working toilet. As much as 25-30% of the treated water that goes into our distribution systems leaks into the ground as it flows through pipes installed as many as 150 years ago. Those losses not only squander a vital and sometimes scarce resource; they represent a massive waste of the energy and associated capital required to treat and pump that water. As much as 19% of our nation’s electricity consumption and 30% of our natural gas consumption is related to water treatment, pumping, and recovery. The energy used to treat water that leaks into the ground is simply wasted, which in turn increases energy prices for consumers and greenhouse gas emissions associated with its production.

Compounding the problem, our shifting population brings significant growth to some areas of the country requiring larger pipe networks to provide water service, while population decreases in other areas deplete budgets necessary to sustain water systems built for larger customer bases. Water is also a vital national security issue. U.S. security experts expect that within ten years, countries of strategic interest to the U.S. will face significant water challenges and more and more will come to the U.S. for expertise.

In every crisis, there is opportunity, and the water infrastructure crisis is no different. Investment in water infrastructure means more jobs: every \$1 billion invested in infrastructure creates or supports 28,500 jobs, and every dollar invested in water and wastewater infrastructure adds \$6.35 to the national economy. Moreover, the investment is largely self-sustaining. Studies have shown that with the increase in GDP, every dollar of water infrastructure investment generates \$1.35 in tax revenue to the federal government and \$.68 to state and local governments, tax revenues to help pay for the investment. Water also offers a unifying opportunity to make progress at home, while also projecting American leadership and boosting exports of U.S. solutions, products, and services abroad.

Our country has a choice: we can continue to ignore the problem, thus increasing the long-term burden for future generations, or we can do the responsible thing and take a strategic approach to carefully prioritize and invest in water infrastructure renewal that will ensure the public health, safety, security, and economic vitality of our communities.

I am pleased that the committee is considering efforts to reauthorize and modernize the Drinking Water State Revolving Fund (DWSRF) in this hearing and the draft legislation we will be discussing today. Since its inception, the DWSRF has played a key role in delivering investment efficiently to communities throughout the nation. Still, it has never been reauthorized since its creation and it needs reform to make it more responsive to both the scale of America's water infrastructure needs and the imperative that infrastructure investment be undertaken in a manner that creates and supports good American jobs, particularly manufacturing jobs.

The most important action your legislation should include is a substantial increase to the authorization level for the DWSRF. Building water infrastructure requires capacity, and companies need market and funding certainty to ensure that investments in building that capacity will not be wasted. A long-term, high level of annual authorization for the DWSRF will provide that market signal and spur increased use of the capacity that already exists and, potentially, the development of even more capacity as the market dictates. The obvious benefit of this – and one that is top of mind for all of us – is that this will create good, family-supporting manufacturing jobs. But another benefit is that as American manufacturers ramp up production, they can harness economies of scale and that makes American products more affordable and more competitive. There are several ways that this program can be tweaked and improved, but in the end there is no substitute for a strong, long-term, stable funding stream for this program.

While this funding is crucial, it does American workers and industry little good if those taxpayer dollars are spent on unfairly traded foreign imports. We must ensure that our efforts have the maximum impact on the American economy, and that the hard-earned tax dollars paid by American workers support the creation and preservation of American jobs, and protect our environment.

U.S.-made waterworks foundries conform to the world's most rigorous and effective, but also expensive environmental standards. American companies have invested significantly, at great cost, to modernize their U.S. operations to meet federal environmental and worker safety regulations. We at McWane are proud to say that our plants are among the safest and most environmentally sound in the world, but every day we must compete against foreign, state-owned or subsidized foundries and mills that regularly

flout international trade laws, have no regard for worker safety, the environment, or public health and are not required to operate by standards comparable to those with which U.S. manufacturers must comply. In fact, the foreign-origin producers with whom U.S. iron and steel producers most often compete are also the most polluting. A typical foundry in China, for instance, emits more than 20 times the particulate (9.4 lbs. per ton versus 0.4 lbs. per ton) and nearly 35 times the carbon monoxide (149.4 lbs. per ton versus 4.4 lbs. per ton) than are emitted by a typical U.S. foundry. The carbon dioxide emitted from China's iron and steel industry accounts for as much carbon dioxide emissions as the rest of the global iron and steel industry. In addition to the harm to the environment, these disparities create significant cost and competitive disadvantages for American producers, that have led to lost sales, closed plants, lost tax revenues, and lost jobs. Communities across the country are in decline because the factories that once built our nation's infrastructure have disappeared, depriving them of the vital tax revenues and rate payers needed to operate and maintain their water systems and other public services.

Fortunately, this problem has been mitigated in recent years through the application of the American Iron and Steel (AIS) preference to the DWSRF, and the Clean Water State Revolving Fund (CWSRF) and Water Infrastructure Financing and Innovation program (WIFIA). AIS is critical to U.S. iron and steel producers. It has provided producers with critical incentives to preserve production capacities in the United States, make significant capital investments to improve manufacturing capabilities, and maintain workforces critical to sustaining the communities around them. I can say with pride and relief that AIS has saved at least one of our plants from closure, preserving hundreds of jobs in an economically depressed area.

By 2008, our waterworks fittings plant in Anniston, Alabama was the last surviving domestic manufacturer of those products. At one time there were as many as a dozen such plants in the United States, but all, including our other fittings plant in Texas, fell victim to the unfair foreign competition I described previously. Even that lone survivor was at risk of closure when the great recession hit, operating at around 30% of its production capacity. But with the application of AIS to the SRF's, first in ARRA and later through WRDA and the annual appropriations process, that plant has increased its capacity utilization to almost 70%, added product offerings, and, more importantly, more than doubled the number of jobs. But the benefits of AIS are not limited to our operations. Because of AIS some of the same foreign companies who drove the near destruction of the American fittings industry have now moved their production to the United States, first using existing foundries struggling for work, and more recently purchasing their own production facility. They have done this specifically in response to AIS. It is hard to conceive of a more concrete example of AIS's job-creating impact.

AIS was first enacted for both the DWSRF and the CWSRF in the Consolidated Appropriations Act, 2014. Later in 2014, the Congress enacted as part of the 2014 Water Resources Reform and Development Act permanent AIS statutes applicable to the CWSRF as well as the new Water Infrastructure Financing and Innovation program. Since that time, we have urged Congress to enact a statute to permanently apply the AIS procurement preference policy to the DWSRF just as Congress has applied the policy annually through the appropriations process to the DWSRF for Fiscal Years 2015, 2016, and 2017.

While it is to the credit of bipartisan and bicameral Appropriators that the DWSRF provision has been annually renewed, the Appropriations approach to AIS has always been a temporary means to the

appropriate end, which is permanent statutory application of the preference via authorizing legislation. Moreover, many other water related programs have no domestic content requirement, which not only deprives the economy of the benefits of AIS, it also creates administrative inconsistencies and inefficiencies. The programs with no Buy America requirement include the U.S. Department of Agriculture's Rural Utilities Services' Water and Waste Disposal Program, the U.S. Department of Housing and Urban Development's Community Development Block Grant program, the U.S. Bureau of Reclamation's Rural Water Supply program, the Economic Development Administration's Public Works and Economic Development Program, and the Indian Health Services, Facilities and Environmental Health program.

Until Buy America preferences like AIS are made permanent and applied across the spectrum of water programs, the thousands of jobs that have been created and supported by this successful policy are always at risk. It is time to build on what is already a successful program, and to make AIS permanent for the DWSRF and other water programs as it is for the CWSRF, WIFIA, and most of the other non-water federal-aid infrastructure programs. As this legislation is further developed, the subcommittee and the committee should ensure that the AIS is permanently applied.

While the reauthorization of the DWSRF with a strong level of funding and a permanent application of the AIS preference are crucial to the improvement, rehabilitation, and expansion of America's water infrastructure system, they are not the only piece. It must act in concert with other federal and state programs, and new initiatives are needed to develop a comprehensive national approach to this crucial need.

In addition to the SRFs and AIS, some additional steps that can and should be taken to address our nation's water infrastructure needs include:

I. Establishing a Presidential Commission on Water Infrastructure Policy Coordination and Security to Evaluate and Create a Coordinated, Rational, and Efficient Water Infrastructure Policy and a Process for Administration.

The federal level of responsibility for water infrastructure and quality is currently shared across approximately thirty agencies, ten departments, and several independent commissions, councils, and offices. Mobilizing and aligning U.S. government agencies, the private sector, and civil society organizations through the creation of a short-lived (one year), focused Commission on Water Infrastructure Policy Coordination and Security (the "Water Commission") can play a positive role in breaking down the silos that have been unavoidable in such a diffuse system. Further, it can create a coordinated, rational, and efficient water policy and administration and foster better collaboration and coordination across federal agencies and other stakeholders. This Water Commission should develop a national strategic plan for water investments, and report back to the Congress with a plan for the strategic direction, coordination, and oversight to domestic and international water-related activities.

II. INCREASE PUBLIC AND PRIVATE INVESTMENT IN AMERICA'S WATER INFRASTRUCTURE AND CREATE JOBS

Rebuilding our nation's water and wastewater infrastructure will require increased public and private capital investments. The American Water Works Association and EPA have estimated it will cost between

\$650 billion and \$1 trillion over the next 25 years to maintain current levels of water service. At the same time, private investors with billions of dollars of private capital are searching for ways to invest in water infrastructure. By creating the right mix of incentives, the United States can enhance the ability of state and local service providers to raise the capital they need and encourage significantly more private investment to help modernize America's water and wastewater infrastructure, thus putting millions of Americans to work in renewing our infrastructure for the 21st century. Options that would address this funding gap include:

A. Remove the Volume Cap on Private Activity Bonds (PABs).

Congress should amend the Internal Revenue Code of 1986 to remove the volume cap for private activity bonds used to finance water and sewage facilities. The annual volume cap hinders the use of PABs for water and wastewater infrastructure, which are generally multi-year projects and outside the public eye. In recent years as little as 1-1.5% of all exempt facility bonds were issued to water and wastewater projects. Removing water and wastewater projects from the restrictive state volume caps will increase private capital investment in the nation's aging water infrastructure by up to \$5 billion annually according to the EPA, increasing jobs, GDP, and tax revenues while solving a tremendous public need. According to the Congressional Budget Office, over ten years this policy change could infuse \$50 billion in private capital investment at a cost of only \$354 million in lost tax revenue.

B. Significantly Increase Congressional Appropriations for State Revolving Funds (SRFs), Enable Private Sector Participation in SRF Projects.

Congress should authorize and appropriate funding for SRFs, which are the nation's principal federal-aid programs for clean and drinking water infrastructure, at the level of the greater of 20% of the funding in

any 2017 infrastructure bill, or \$10 billion annually for the Clean Water State Revolving Fund (CWSRF) and \$10 billion annually for the Drinking Water State Revolving Fund (DWSRF). In addition, SRF authorizing legislation and implementing regulations and guidelines should be amended to encourage additional private investment.

C. Increase the Funding for the Water Infrastructure Finance and Innovation Act (WIFIA) Program.

WIFIA is emerging as an extremely effective and cost-effective tool for addressing financing needs in the water sector. WIFIA is in a position to promote the use of public-private partnerships in this area by reducing the cost of private participation. Earlier this month, EPA announced that it had received interest from 43 entities for the first round of WIFIA loans. Speaking about the announcement, EPA Administrator Scott Pruitt said, “[a]s a federal-local-private partnership, this program will help expand water infrastructure systems to meet the needs of growing communities. This investment will empower states, municipalities, companies, and public-private partnerships to solve real environmental problems in our communities, like the need for clean and safe water.”

In 2017, Congress should appropriate \$1 billion for WIFIA. When used to provide credit enhancements, every dollar provided by WIFIA will generate \$65 in additional, private capital. Thus \$1 billion of funding could generate as much as \$65 billion in infrastructure investment.

D. Eliminate or Modify Tax Rules and Regulations Related to Defeasance that Create Obstacles to Public-Private Partnerships.

An estimated \$100 billion in private capital is available to invest in the domestic U.S. domestic water and wastewater market, which some experts have valued at approximately \$130 billion. However, current

regulations discourage many municipalities from entering into cost-saving and efficiency-driven partnerships with private water companies for the operation of municipal water supply and treatment facilities. Specifically, IRS regulations impose a significant financial penalty on municipalities who sell or lease their water system to a private company if it was originally financed with tax-exempt debt. Removing tax inefficiencies for lease and sale of municipal water systems will provide greater options and opportunities for communities with failing water systems to attract more private investment and expertise to rehabilitate and restore failing water infrastructure through public-private partnerships.

E. Retain Tax Exemptions for Municipal Bonds.

Tax-exempt municipal bonds are the primary means by which utilities and municipalities raise capital for water infrastructure projects. The market for these bonds provides an established, reliable, and efficient mechanism for public utilities to raise low cost capital. The tax-exempt feature of these bonds should be preserved in any tax reform measures adopted by Congress.

F. Encourage Water Utilities and Operators to Fully Account for Total Costs.

In part because of a steady decline in federal funding for water infrastructure, approximately 98% of water projects are financed by local water utilities through their rate structures. However, water is arguably the world's most undervalued resource, as traditional approaches to pricing have not reflected the true cost of service. A recent survey found that only one-third of water utilities are operating under rate structures that provide adequate revenue to fully cover their costs. This undervaluation of water as a commodity creates severe constraints on the ability of utilities to finance the investment required as

their infrastructure continues to age. To correct this problem, utilities must price their water based upon its true cost, while ensuring that lower-income households have reliable and affordable water service.

State and local water agencies are best able to assess how best to meet the needs of their water consumers. Where federal support is requested, however, applicants should be encouraged to conduct a study of the total costs associated with constructing, operating, and maintaining their water, wastewater and storm water systems, including long-term capital costs.

At the same time, low-income customers should be protected against significant rate increases that jeopardize their health and well-being. To create this safety net Congress should establish a support fund modeled on the Low-Income Home Energy Assistance Program called the “Low-Income Water Assistance Program” (LIWAP).

G. Grant Greater Flexibility to the States to Make Use of Unliquidated Obligation (ULO) Balances to Provide an Additional Source of Funding for Projects.

“ULO balances” refer to unspent funds from grants provided by EPA to the states to support the financing of infrastructure improvements to drinking water systems and other important public health protection purposes. Funding that has already been allocated to the states in previous years – but simply remains unspent – should be applied to meet current-year and future-year water infrastructure needs and thus reduce the level of additional appropriations necessary.

III. MAKE AMERICA'S WATER INFRASTRUCTURE WORK BETTER

Congress should encourage actions that will unleash America's know-how, strengthen the technical and managerial skills of our workforce, vastly improve the efficiency and resiliency of our water systems, and promote the development, deployment, and diffusion of 21st century solutions throughout the United States and around the world.

A. Promote Smart Technologies and Smart Cities.

Without a full set of data and actionable information about network infrastructure conditions, operators are trapped in a reactive cycle. In addition, most utilities continue to utilize monitoring techniques that provide incomplete and often stale information about critical situations such as toxicity and chemistry, a situation that can endanger the public's health and the integrity of the water systems. Wireless technology and new sensing and metering capabilities create opportunities for remote but inexpensive real-time flow and quality monitoring. According to research commissioned by utility infrastructure company, Sensus, digital water networks can save utilities up to \$12.5 billion a year. Policy tools that could remove barriers to digital water adoption include:

1. Establish the "National Water Infrastructure Test Bed Network".

Unless utility operators have the confidence that new technologies will work, they are reluctant to adopt or deploy them. But few are willing to serve as the pilot program because of the demands on time and budget, and even those pilot programs that do proceed can take years to complete. As a result, the deployment of workable, cost-saving and efficiency-creating technologies is unnecessarily delayed.

Congress should authorize and fund the creation of a “National Water Infrastructure Test Bed Network” (TBN), to coordinate and accelerate the water industry’s deployment of new technologies. It would bring together the broader water community (i.e., regulators, operators, consulting engineers, etc.), and engage them in piloting and demonstration efforts to raise confidence in innovative technologies. The TBN’s process would reduce the number of pilot projects otherwise needed and would also shorten the time needed to achieve commercial acceptance.

2. Regulatory Reforms to Promote Adoption of Better Infrastructure Technology.

Duplicative, unnecessary and/or outdated regulations present a significant barrier to addressing water infrastructure issues. Public water authorities are loath to take substantial risks in new and efficient technology procurement, because they must manage an essential public service for perpetuity and at minimum cost. Some specific examples of opportunities for EPA reform:

3. Reform Technology Approval Process.

Both the Safe Drinking Water Act and Clean Water Act require utilities to use EPA approved protocols for monitoring and treatment. While EPA’s drinking water offices have implemented an Alternative Technology Approval process that has significantly expedited the commercialization of new technologies, the wastewater program has not adopted this new, more efficient process. As a result, the deployment of new technologies in the wastewater sector has been slow. Congress should require the agency to adopt the same approval processes across its programs so that they are consistent and efficient. In addition, the agency should use existing consensus bodies (e.g., ASTM, AWWA) to the

maximum extent possible to foster best management practices and standards that support the technology adoption, while minimizing agency expenditures on this mission.

4. Reform National Science Advisory Board.

EPA's National Science Advisory Board plays an essential function in advising the agency on all manner of technical issues affecting regulatory promulgation and the water sector. This board should be comprised of representatives from across the water sector in a balanced fashion, so that the agency fully understands state-of-the-art science, industry practices, and the challenges facing water infrastructure owners and managers and their rate-payers.

5. Enact Legislation to Promote 21st Century Digital Water Solutions.

The Internet of Things can enable water utilities to connect their physical assets with other key pieces of information, such as soil conditions, water chemistry and quality, and geospatial seismic activity to expedite repairing of infrastructure problems, reducing service disruptions, decreasing water losses, avoiding public health emergencies, and predicting other potential problems for early intervention. Expanding existing water infrastructure funding programs (SRFs, WIFIA, and private activity bonds) to include digital water projects as eligible activities will promote rapid and wide-spread adoption of digital water solutions, and in turn create high-value jobs for digital water solutions providers and utilities.

B. Empower Local Decision Making.

Communities across the country have diverse water and wastewater infrastructure needs. They must evaluate numerous factors when considering the proper design and materials for their community and

water projects. Encouraging and supporting local governance allows those closest to the problem to determine the best solution. Deference to local decision-making also saves money, as local communities can hold those in their community more accountable. Congress should encourage federal agencies to defer to local communities and their engineers of record.

C. Encourage Life-Cycle Costing and Pricing to Ensure Long-Term Value.

To ensure that the true costs of building, maintaining, and operating our water systems are captured and funded, all federally supported projects should encourage the use of full life-cycle cost analyses when comparing bids, so that they consider the true cost of systems and materials over their entire useful lives.

D. Improve Systems Management.

1. Unleash the “Blue Wave” to Build Capacity for Water and Wastewater Utilities and Other Water Resources Managers.

Congress should authorize the creation of a platform for collaboration among public enterprises, in the form of a web-based portal and network – the “Blue Wave.” This portal would enable urban and rural utilities of every size and service to share best practices, develop joint partnerships with public and private agencies, engage private sector expertise and technology and access private capital markets and funding. In addition, this network would provide small rural and distressed water systems with the technical capacity to comply with regulations and to undertake projects to improve or expand their services.

The United States has more than 60,000 water utilities, the majority of which are small utilities (serving less than 10,000 customers). Thousands of small utilities have difficulty in assessing, selecting, implementing, and financing necessary capital upgrades or in implementing new smart technologies that can improve service and reduce operating costs. By creating the “Blue Wave” to deliver up-front expertise and transaction support and foster public-private partnerships, the federal government would enable small utilities to carry out quickly a backlog of vitally needed capital improvements worth hundreds of billions of dollars. This would generate tens of thousands of jobs and boost U.S. businesses engaged in design, construction, maintenance, operations, and technology and scientific support.

A relatively small investment of the federal government to support the start-up costs (approximately \$5 million per year for two years from the appropriated funding for the state revolving funds), to be matched 2:1 by the private sector, would fully support the development of the network. Membership in “Blue Wave” would be cost-free to agencies seeking assistance, although a fee would be assessed on successful partnerships and collaborations to cover the on-going costs of the Blue Wave Network.

“Blue Wave” is designed to be the implementation arm of many of the parallel water infrastructure proposals to small and distressed communities, as well as the dissemination arm of the policies of either the Water Commission or the White House Council on Environmental Quality. The Blue Wave Network would be a private enterprise supported by and leveraging current platforms of public and private agencies, trade associations, and sector coalitions.

2. Develop a Water Workforce for the 21st Century.

Attracting and training the next generation of water and wastewater system operators is critically important, particularly for small and disadvantaged communities. Many water and wastewater utilities undertake the complex challenge of consistently delivering safe drinking water with a small and under-resourced staff with limited technical skills and training. Even large utilities will soon face loss of talented workers with the skills essential to the effective operation of their systems, and the introduction of new technologies will aggravate this problem because the operators of the future will need greater technological skills than are common today.

The Safe Drinking Water Act includes several set-asides related to operator certification and training for water systems from the funding authorized for the state revolving funds. Congress should buttress that authority by tasking the U.S. Department of Labor with developing a workforce development program helping American workers get the skills and credentials needed to support the operation, maintenance, and improvement of water and wastewater systems of tomorrow.

E. Promote Integrated Watershed Management and Planning.

Frequently, agencies and local officials only manage the water bodies near urban areas rather than upstream sources. As a result, when the water arrives for treatment it often contains severe contamination from upstream activities. This not only creates a public health threat, it also dramatically increases the costs to utilities to treat the water to safe standards. More effective management at the watershed level will significantly reduce operational costs to utilities and customers by limiting the amount of local water treatment necessary to ensure good water quality.

1. Codify EPA's Integrated Planning Process as An Option for Local Governments to address their Wastewater and Storm water Management Needs.

For years, communities have been told to achieve Clean Water Act mandates without any consideration of whether those requirements are feasible, affordable, or provide a significant environmental benefit. This problem is especially acute for separate sanitary sewer systems. To partially address this issue, H.R. 6182, the Water Quality Improvement Act, introduced in the last Congress, would allow local governments to prioritize and focus on their wastewater and storm water management needs with the greatest public health and environmental benefits. This legislation would codify EPA's Integrated Planning process as an alternative to facing costly consent decrees while establishing economic affordability criteria for the EPA to assess the financial capability of communities to implement control measures.

2. Amend the Clean Water Act to Improve Federal Agency Coordination and Advance Integrated Water Resources Management (IWRM).

Congress should codify integrated water resource management (IWRM) principles into the Clean Water Act (CWA) to promote greater coordination among federal agencies such as the Army Corp of Engineers, the Department of Agriculture, the Department of Interior, and EPA, which often pursue separate and sometimes conflicting agendas for water resource management. Amending the CWA to promote greater coordination through the Water Commission and IWRM would foster more coherent water management among relevant federal, state, and local authorities, thereby optimizing the use of water for agricultural, urban, and ecosystem needs.

3. Reform the Agricultural Act of 2014 to Reduce Agricultural Runoff in Watersheds.

Congress should reform the Agricultural Act ("Farm Bill") to upgrade water quality standards at the watershed level for runoff originating from agricultural areas that affect downstream water users. Existing laws do not adequately protect sources of drinking water from contamination by agricultural runoff, which includes pesticides, herbicides, or animal wastes, thus imposing greater treatment costs on downstream water utilities. Farmers should be encouraged to use existing incentive mechanisms to deploy best management practices to meet the standards.

4. Promote Water and Wastewater Regulatory Reform.

A key reform measure would be to require the consideration of opportunity costs in assessing the economic toll of any new, proposed regulations. The true cost of compliance with a regulation not only includes the direct costs incurred, but also the loss of other opportunities because of the divergence of scarce resources. For example, burdensome recordkeeping or treatment requirements that do not materially improve public health might require the expenditure of thousands of dollars that could have been spent on infrastructure repairs or the addition of smart technologies that would have reduced water loss or otherwise improved efficiency. The benefits lost from those alternatives should be included in the calculation of the true cost of a new regulation, so that policy makers have a more accurate understanding of the consequences of regulations.

IV. MAKE AMERICA'S WATER INFRASTRUCTURE SAFER AND MORE SECURE

Americans must have confidence in the safety and reliability of their water supplies. Likewise, by promoting improved water management and greater cooperation on shared waters within the United States and internationally, we minimize the potential for disruptive conflicts over water, thereby strengthening America's security and economic interests at home and abroad.

Service lines, including those made of lead, can be a major source of toxins entering households across the country. Service line ownership is typically split between the homeowner and the water system. An array of solutions exists for dealing with toxins in water, ranging from better treatment and system management to in-home filtration to full replacement of outdated service lines. Full replacement is very expensive, and replacing all lead service lines across the country could cost a total of approximately \$30 billion. Many homeowners have limited discretionary funds to fund replacement of their lead service lines. Moreover, lower-income families tend to live in older housing units that are more likely to contain lead service lines, so the potential burden for a replacement program might disproportionately affect the poor.

To address these concerns Congress or the relevant agencies should consider:

- Creating tax incentives for replacement of service lines or installation of in-home filtration systems to remove lead and other toxics from drinking water;
- Expanding EPA and HUD real estate disclosure requirements to include whether a lead service line is present, and including lead in drinking water in the EPA and HUD's Lead-Safe Housing Rules;

- Adapting federal assistance programs such as the Federal Housing Administration (FHA) to make lead service line replacement an eligible activity for rehab mortgage insurance under Section 203(k) or as a Title I insured loan for property improvements; and,
- Increasing funding allocated to existing grant programs such as HUD's Community Development Block Grant program for purposes of lead service line remediation by low-income households, either through filtration or replacement.

Conclusion

These are only a few of the issues and solutions that merit discussion. The key takeaway, however, is that the scope and scale of America's water infrastructure needs demand a massive, coordinated, forward-thinking, and creative response. Water infrastructure is not a partisan or even a bi-partisan issue. It is and must be a non-partisan issue. With that cooperative spirit in mind, reform and reauthorization of Safe Drinking Water Act programs like the Drinking Water SRF are crucial to that effort, and we at McWane are glad to have the opportunity to contribute to that process.

Thank you for your time and consideration.

Mr. SHIMKUS. I thank you all for your testimony.

We will now move into the question-and-answer portion of the hearing. I will begin the questioning and recognize myself for 5 minutes.

And, of course, I will go to Mr. Fletcher first. Is it challenging for a small community to go through application processes for government assistance?

Mr. FLETCHER. Very much so, Congressman.

Mr. SHIMKUS. What would you recommend a process of streamlining or the challenges? What could we do to make it easier?

Mr. FLETCHER. Well, I believe that if we have assistance, circuit rider program, something similar to that, for each state, that the circuit riders would have the knowledge to go to these small systems and help them through the process with the SRF application.

Mr. SHIMKUS. Mr. Vause, your testimony calls for streamlining the SRF application process. What does that include for you?

Mr. VAUSE. Mr. Chair, we do support efforts to reduce the burden on regulation and the application process itself. We think that the EPA can do, among its regions, developing best practices that can be applied to all of the regions there to streamline the application processes themselves.

We believe, secondarily, that the ability to do the applications themselves rely on certain forms and certain procedures that the agency should streamline. Those procedures themselves go to the issue of the Buy America provisions, they go to the issues of tracking minority, disadvantaged, and women business enterprise activities related to SRF projects. So those are two areas that we would like to see where there is streamlining done. Thank you.

Mr. SHIMKUS. And if anyone else on the panel would like to comment on the possibility of streamlining the application process for SRF?

Oh, Ms. Daniels.

Ms. DANIELS. Yes. So if I could just add. So we have heard from applicants that they much prefer the RUS program because it is much more streamlined. And it seems that it can give the applicant upfront information sooner about what they might be eligible for, what rates they might be looking at, and it helps them then move forward from there and really design the project that fits sort of their understanding of funding.

So if our program could figure out a way maybe to do a letter of intent where you get the financial information up front, because that is generally what is used to determine rates and moneys available, that would give folks some upfront information then to move forward and finish the complete application.

Mr. SHIMKUS. Yes. What is the burden? You mentioned burden.

Ms. DANIELS. So the burden for completing the application?

Mr. SHIMKUS. Right.

Ms. DANIELS. Well, I mean, it is substantial for small systems. In some cases, they are just not capable of completing it. So one of the assistance programs that I mentioned before, professional engineering services program, we do provide assistance. So if a community really needs help completing the application, we will work with them to do that.

Mr. SHIMKUS. And I agree, being from rural America, I think the RUS ability for rural water co-ops and stuff have been very, very helpful. And I haven't heard the same concerns that I had with the SRF.

Going back to you, Ms. Daniels, are there other reasonable steps that can be taken to simplify the SRF application process or paperwork? Anything else you can think of?

Ms. DANIELS. I think if we can come up with sort of an upfront screening process, so an upfront letter of intent, I think that gives folks a better sense.

So in Pennsylvania, before they can come in for an application, they already have to have the project designed, they have to have all of the permits in place. There is a lot of expense that goes into getting to that point, and we don't even know yet, then, what they might qualify for or what rates they might be looking at.

Mr. SHIMKUS. So let me finish up with you. We have heard a fair amount of testimony on disadvantaged communities. Are you comfortable with the flexibility that the Safe Drinking Water Act allows regarding the amount you can spend and how much debt you can forgive?

Ms. DANIELS. We really are. I think keeping the language of "up to" gives states the flexibility. So in a given year, if we have lots of projects that meet that criteria, we are able to fund those. But in other years where we don't, it means we don't necessarily have to set that funding aside. We can use that for other worthwhile projects.

Mr. SHIMKUS. Thank you very much.

I would yield back my time, and now recognize Mr. Tonko for 5 minutes.

Mr. TONKO. Thank you.

Many of the organizations represented today testified earlier this year. At that hearing, everyone agreed that more funding is necessary for the Drinking Water SRF.

The SRF was initially authorized at \$1 billion in 1996 and, frankly, I don't think that level of 20 years ago would meet our Nation's needs, especially since we have seen the need grow significantly during this time period.

So my question to everyone on the panel is, do you support sustained increased funding for the SRF relative to historic levels?

Mr. Kropelnicki?

Mr. KROPELNICKI. Yes, we do.

Mr. TONKO. Mr. Potter?

Mr. POTTER. Sir, I would like to address the fact that the drinking water industry is a jobs program waiting to happen. We can put a lot of people to work in a hurry. So the level of funding that Congress would appropriate really can't be enough. We can put people to work. We can renew infrastructure. We can keep the dollars in the United States. We have used McWane pipe. It is a good pipe. Everything about the whole program is good for us. Fund us; we will put people to work.

Mr. TONKO. Thank you.

And can we continue, Mr. Fletcher, just across the board?

Mr. FLETCHER. Any increased funding for small communities would be greatly appreciated.

Mr. TONKO. Thank you.

Ms. Daniels?

Ms. DANIELS. So ASDWA supports funding of about a billion. Now, that isn't quite the same as maybe the double or the triple numbers that you are hearing from other folks. One of the reasons is that we have to understand that state staffing levels are what they are right now based on sort of the historical funding. States would have a difficult time quickly staffing up to be able to move a two or three times the amount of funding. I think what states may need is more moderate increases over a longer period of time and maybe some predictability that those funding levels will continue. That is what states need to really be sort of confident that they can increase staffing levels to be able to move those moneys.

Mr. TONKO. Right. And I believe AQUA reflects that in its language.

Mr. Vause?

Mr. VAUSE. Mr. Tonko, yes. As we had indicated in our testimony, the doubling of SRFs, and we believe a sustained effort is necessary both for the SRFs and the WIFIA program.

We do recognize, though, that states do have a match to the SRFs. So along with the increased funding at the Federal level is a requirement that the states have to match as well.

Mr. TONKO. Thank you.

Ms. Thorp?

Ms. THORP. Yes, thank you, Congressman. Yes. As I mentioned, we support significant increases in the state revolving funds as well as in the Public Water System Supervision grants. We recognize there are complications and that it is not the only solution to our Nation's drinking water challenges, but it is certainly a much needed piece of the puzzle.

Mr. TONKO. Thank you.

Mr. Proctor?

Mr. PROCTOR. Absolutely. As has been noted previously, there is an estimated trillion dollar need to rehabilitate our country's water infrastructure. The unfortunate thing, though, is that highways, airports, other things like that get more attention, but the need is just as critical for water. If there is a pothole in a highway, I am sure you all get a phone call from a constituent, but with water, even though 20 percent of our water is leaking into the ground today, which is massive waste of a precious resource as well as the energy associated with it, it is out of sight, out of mind. But we can live without roads; we can't live without water.

Mr. TONKO. Thank you.

There are disadvantage systems that need extra assistance, and this discussion draft has some good ideas, but I believe there are additional things we can do to support them.

Mr. Potter, can you expand why it is important to expand the definition of disadvantage community?

Mr. POTTER. Yes, sir. Fundamentally we are a large system, so we have 190,000 water accounts. We have areas at Metro Water Services that are relatively affluent. We have areas that are economically disadvantaged. If we do not expand the definition, then we wouldn't have the ability to have the additional subsidization available through the Drinking Water SRF.

It provides us another tool to fund a project specifically in a disadvantaged area that we would not have if the definition wasn't expanded, so we would request that it be done so.

Mr. TONKO. Thank you. And an asset management, the benefits of that management, of asset management are being more widely accepted, and I do understand the concerns about being overly prescriptive, but also believe that more can be done to encourage utilities to implement plans.

To Mr. Vause and Mr. Potter, do you see a benefit to having systems finance projects that focus on the long-term sustainability of their systems?

Start with you, Mr. Vause.

Mr. VAUSE. Mr. Tonko, yes, and we do believe in the encouragement of every utility doing a project of that nature to consider the life cycle costs associated with that and to factor that into the decisionmaking on what is the right solution for that particular project issue at hand.

Mr. TONKO. And Mr. Potter?

Mr. POTTER. Yes, sir. Asset management is a good thing. Recognizing that some utilities will have staffing that is more available than a small system. A good example is, is this a pump? If you take a brand new pump out of the box, and you install it, and you do vibration analysis and lubricational analysis over the life cycle of the pump, it is going to last longer. And that is a better use of O&M funding.

If you don't do that, and that means you don't have asset management program, it is going to cost more. And if it costs more, those dollars will not be available for capital investment.

So overall it is a good idea. We recognize that some utilities will have higher capabilities than others, but overall asset management works.

Mr. TONKO. Thank you. Thank you. And I yield back.

Mr. SHIMKUS. The gentleman's time is expired. The chair now recognizes the Chairman of the Full Committee Mr. Walden for 5 minutes.

Mr. WALDEN. Thank you, Mr. Chairman.

Mr. Vause, one of the proposed SRF enhancements that you discussed in your testimony was added flexibility and repayment terms for the SRF loans. Why is added flexibility for repayment terms needed, and do you support the provision in the discussion draft that extends loan repayment schedules for disadvantaged communities from 30 years to 40 years?

Mr. VAUSE. Mr. Walden, we do support the issue of extending the terms to disadvantaged communities, and essentially it is an issue of this, when you think about when you take out a loan for a home for other things, those are long-lived assets, and to be able to extend the terms out to not exceed the useful lives of the assets that are being funded through the SRF and so forth, that is an appropriate way to help communities who need to extend out the terms and so forth to be able to afford the loan.

Mr. WALDEN. All right. And today's discussion draft removes Federal reporting requirements on Federal funding if state or local requirements are equivalent to the Federal requirements.

From your perspective, Mr. Vause, what effect would this provision have, and would it be as beneficial as some of us think it would be, and do you support it?

Mr. VAUSE. Mr. Walden, we do support that concept, and it does help and facilitate the ability of the loan recipient to be able to ease the administrative burden of a project of this nature.

When utilities go through, being able to show that an equal or more stringent requirement exists, at the state level, makes it much easier to facilitate the use of the loans in the administration of a project that is funded and financed that way.

Mr. WALDEN. And is there something we should do in terms of prioritization or should we stay out of that, and by "that" I mean when we identify in the country a problem, let's say lead in the pipes or arsenic in the water or something, should we be thinking about a way, or maybe it is already there, to target a support to communities to deal specifically with those issues as opposed to just a leaky water system or something of that nature?

Mr. VAUSE. Mr. Walden, every state that acts as the primacy agency for SRF funds has their own set of criteria that they use to prioritize projects, and typically those prioritizations involve things that are of critical public health need, and, therefore, most of the monies that our experience is, is projects go to those that have the highest priority to protect public health.

Mr. WALDEN. OK. Then sort of the several billion dollar question that is before all of us: How do we pay for this? I know at the local level in my water bill I pay for it. The Federal level we tend to just throw a number on a piece of paper and then go borrow it or find it or something.

Are there any of these authorized programs out there that you would tell us really aren't working and we should move money from them to this? Any ideas on how we should pay for this from the Federal level, other than giving our kids and grandkids the due bill later in their life?

Mr. VAUSE. Mr. Walden, I think a short answer to that is is the newly created WIFIA program is a great example of where the burden on the Federal Treasury is de minimis. In that situation it is a loan program.

Mr. WALDEN. Right.

Mr. VAUSE. And therefore, those who are in receipt of WIFIA loans really are paying back to the Federal Treasury and the effect is very, very minor.

Mr. WALDEN. OK. Anybody else on the panel want to tackle the funding issue, other than being recipients of the funding.

Mr. SHIMKUS. Would the chairman yield?

Mr. WALDEN. Sure, of course.

Mr. SHIMKUS. Under the WIFIA, which has been part of the discussion too, it is my understanding for small communities the requirements are so large that they can't apply. In fact, no loans have been made out of the WIFIA program yet.

Am I correct or someone tell me about what they have done with the WIFIA. Mr. Potter?

Mr. POTTER. Sir, we think WIFIA is in addition to SRF. We don't think they are mutually exclusive. We think they are complementary, and we think they should both have equal funding attention.

Mr. WALDEN. But to his point, and Mr. Vause, I represent eastern Oregon, it is not as big as Alaska, but we have got a lot of these little tiny communities.

Mr. SHIMKUS. But you are a broadcaster in Alaska.

Mr. WALDEN. That is true. The Mighty Ninety KFRB Fairbanks. But the point is they don't have a huge water department, it is the mayor or somebody. They have got a public works, but what we want to do is how do we streamline this and put the money in the pipe and the ground and the water system and not in the paperwork and the reporting and all of that? Isn't that what we are trying to get to here?

Mr. VAUSE. Mr. Walden, with respect to the WIFIA program, for example, small communities under the size of 25,000, the project size that is eligible is a \$5 million project. States also can apply for WIFIA loans, and they can bundle projects together from small communities to help facilitate that in that program.

The ability of the small communities to administer an SRF program, to that question, I think the ideas that we have previously talked about of streamlining some of the paperwork exercising, having best practices used, but more importantly, the idea of being able to demonstrate the ability to use state regulations to avoid the issues of the cross-cutting requirements at the Federal level are all things that really help try to streamline that effort.

Mr. WALDEN. Thank you, Mr. Chairman.

Mr. SHIMKUS. The Chairman's time is expired. The chair now recognizes Ranking Member, Mr. Pallone, for 5 minutes.

Mr. PALLONE. Thank you, Mr. Chairman. We have seen numerous serious problems in the Safe Drinking Water Act that should be addressed in any legislation this committee passes to amend the Safe Drinking Water Act. The biggest challenge is clearly the lack of funds, but I want to quickly touch on a few others. And my questions are of Ms. Thorp.

Does the discussion draft that is before us fix the weaknesses in the standard setting process under the Safe Drinking Water Act?

Ms. THORP. Thank you, Congressman Pallone. The discussion draft, as I read it, didn't address any of the contaminant regulation, national primary drinking water regulation setting process at all, so it didn't go into that topic.

Mr. PALLONE. All right. And the source water protection provisions in the statute have proven ineffective, and that is why my bill would create an entirely new program to ensure source water protection.

Does the discussion draft before us do enough to ensure source water protection in your opinion?

Ms. THORP. Congressman Pallone, if I recall, the discussion draft did allow for some set-asides in Drinking Water State Revolving Fund monies to do source water protection plans and to update those systems and states. So we think that is a good idea.

We do think there is some creativity and some innovation that needs to be applied as we look at the future of the Safe Drinking Water Act, which really as currently written, doesn't do much to protect source water or to reinforce our other environmental and public health protection statutes and regulations. Some interesting work could be done on that in the future.

Mr. PALLONE. All right. Thank you.

Now, our Democratic proposals also address threats to source water, including oil and gas development and climate change. Does the discussion draft before us today address those threats?

Ms. THORP. Still to me, Congressman?

Mr. PALLONE. Yes, these are all to you.

Ms. THORP. Thank you, Congressman Pallone. I did not see anything on oil and gas activities and other sector threats to drinking water sources or on climate change and resilience.

Mr. PALLONE. All right. One of the concerns we hear about most on drinking water is lead contamination, particularly concerns about lead service lines and lead in school drinking water. Will this discussion draft get lead out of our homes and schools or do we need to do more?

Ms. THORP. I don't think the discussion draft addressed lead in schools or lead in water, and specifically, although as I mention in my testimony, increased authorizations and appropriations can help us with some aspects of the lead service line problems, for example.

Mr. PALLONE. All right. And then we also hear a lot of concerns about the need to restructure water systems to ensure the technical, financial, and managerial capacity to deliver safe water.

Does the discussion draft need to be strengthened to effectively address the restructuring and consolidation in your opinion?

Ms. THORP. Well, I think some detail could be added. I think the discussion draft noted that this is one use of State Revolving Fund funds. So I think some of the detail we have seen in the bill that you, Congressman, introduced and in other places to support appropriate restructuring and consolidation would be helpful.

Mr. PALLONE. All right. Obviously, it is my opinion that this discussion draft needs a lot of work if it is going to actually address the problems we see in the Safe Drinking Water Act, so my hope is that my Republican colleagues will work with us as we move forward on some of the issues that I mentioned.

I want to yield the rest of my time, though, to Mr. McNerney.

Mr. MCNERNEY. Well, I thank the ranking member of the full committee for yielding. I am going to read a statement and I want to know if all the panel members agree with a yes or disagree with a no: "The draft mostly continues with the status quo, which is necessary but not sufficient to meet our Nation's drinking water needs."

Mr. Kropelnicki?

Mr. KROPELNICKI. I would agree with that, yes.

Mr. MCNERNEY. Mr. Potter?

Mr. POTTER. Yes, sir, I would agree with that statement.

Mr. FLETCHER. Yes.

Ms. DANIELS. Yes.

Mr. VAUSE. Yes.

Ms. THORP. Yes.

Mr. PROCTOR. Yes, sir.

Mr. MCNERNEY. Well, everybody said yes. I was going to take as just the ones that said yes, name one thing briefly that you think would most improve the legislation? Starting briefly. Go ahead.

Mr. KROPELNICKI. Requiring that any funds being expedited are used, be used economically, efficiently, that asset management and full life cycle pricing and full cost in the true value of water is reflected in the rates being charged to customers.

Mr. MCNERNEY. Mr. Potter?

Mr. POTTER. Yes, sir. I would support enhancement in asset management program requirements and codifying the amounts in the SRF funding levels, and strengthening the WIFIA authorizations.

Mr. MCNERNEY. Mr. Fletcher, briefly now?

Mr. FLETCHER. Technical assistance would be very important.

Mr. MCNERNEY. Very good.

Mr. FLETCHER. And that for small systems in rural communities.

Mr. MCNERNEY. [continuing]. Ms. Daniels?

Ms. DANIELS. I would actually support being able to shift some of the work for source water protection plans to the SRF because that would free up set-aside funds for more technical assistance and other things within that program.

Mr. MCNERNEY. Thank you. Mr. Vause?

Mr. VAUSE. Yes. EPA has stated that various states have unobligated or unspent balances in their Drinking Water SRF accounts, and when those dollars are not in circulation they are not being used to improve drinking water infrastructure.

So in combination with increased SRF funding, we, AWWA, would urge Congress to use all the necessary tools to help state primacy agencies put those unexpended funds to use in drinking water infrastructure.

Mr. MCNERNEY. Ms. Thorp? Quickly, please.

Ms. THORP. To increase authorization, I think creative use of technical assistance and state programs to move toward having the most 21st century modern drinking water systems we can nationwide.

Mr. MCNERNEY. Yes.

Mr. PROCTOR. In addition to the domestic preference and consistent levels of funding I mentioned in my earlier remarks—

Mr. MCNERNEY. Quickly, please.

Mr. PROCTOR [continuing]. Additional things that would improve, the adoption of smart technology would go a long way.

Mr. MCNERNEY. Thank you, chairman.

Mr. SHIMKUS. The gentleman's time is expired. The chair now recognizes the gentleman from Texas for 5 minutes.

Mr. BARTON. Thank you, Mr. Chairman. And I am not going to take 5 minutes.

We appear to be on the verge of having a bill that most people agree with on both sides of the aisle. I don't hear a lot of negativity. I guess my only question would be, this section A, it says adds a new provision that if the Federal reporting requirements on Federal funding are pretty much the same as local requirements that you don't have to make the Federal report.

Do you all agree with that? That sounds like a good deal to me.

Mr. KROPELNICKI. Yes.

Mr. BARTON. Nobody has heartburn over there?

Ms. DANIELS. No.

Mr. BARTON. With that, Mr. Chairman, I am going to yield the rest of my time to Mr. Murphy of Pennsylvania.

Mr. MURPHY. I thank the gentleman. Mr. Vause, let me start off with you.

In your testimony you argued the present Buy America requirements to the SRF are unrealistic and that the conditions for granting a waiver should be loosened to make it easier to buy non-American products, am I correct?

Mr. VAUSE. We supported modifying the language.

Mr. MURPHY. Just am I correct or not, to make it easier to buy non-American, is that a yes or a no?

Mr. VAUSE. I am sorry, could you repeat the question?

Mr. MURPHY. So you said in your testimony, you argued the present buy American requirements are unrealistic and that the conditions for granting a waiver to this should be loosened to make it easier to buy non-American products. Did I understand that correctly?

Mr. VAUSE. Yes.

Mr. MURPHY. OK. So are you willing to forego U.S. taxpayer dollars for your water projects in order to buy your steel from wherever you want?

Mr. VAUSE. No.

Mr. MURPHY. Well, then what percent of funding from the Federal Government should you have cut in order to allow you to support the economy of China instead of the United States?

Mr. VAUSE. That is not our intent, sir.

Mr. MURPHY. Well, but if you are not buying American steel but you are using American taxpayer's money to buy products from other countries, that is how it works out. So intention or not, that is the outcome.

So, Mr. Proctor, in your testimony you discussed the benefits to McWane and the broader domestic steel industry of the American Iron and Steel Institute preference for Drinking Water State Revolving Fund. What impact would Congress enacting a statute to permanently apply this procurement preference policy to the DWSRF have on industry, domestic manufacturing, and jobs?

Mr. PROCTOR. I think it would accelerate the repatriation of jobs back here to the U.S. A permanent provision would give industry the signal that it is worth investing in the new capital and the new capacity here in the United States, and we would see exactly what has already happened in the fittings business where jobs that went to China are coming back to the United States, and that would increase competition, as well as increase jobs and economic benefits.

Mr. MURPHY. So you speak of the lost opportunities of the domestic industries, as well as the administrative inconsistencies and inefficiencies that this generates. Can you explain what you mean by that?

Mr. PROCTOR. Well, it just seems inconsistent that on the one hand you are taking tax dollars from American workers and then using those tax dollars to fund the purchase of materials and in the process taking away their livelihoods, number one.

Number two, the agency that is charged with the administration of the SRF is the Environmental Protection Agency. When they impose regulations on American manufacturers that make them un-

competitive so that people go to China, India and other places to buy their products, they are having the perverse effect of sending those manufacturing jobs to place, not only eliminating jobs here in the U.S., but sending them to places that have no regard for the environment.

Mr. MURPHY. Like state-owned governments who also subsidize it and without the environment—so what happens is, so you may have an American steel worker paying U.S. taxes. Those taxes then go to help subsidize water projects to the community, which then because of the onerous regulations of the United States make other countries' steel cheaper, and those communities then buy other countries' steel, which further puts that steel worker out of a job, do I follow that correctly?

Mr. PROCTOR. That is exactly right. That is exactly right. And you are making the environment worse in the process. Something around 25 percent of the particulate matter that falls on California comes from China.

Mr. MURPHY. So all the work we do in environmental improvements are just very small and overridden, I understand, by what China does in a short period of time?

Mr. PROCTOR. That is correct.

Mr. MURPHY. Right.

Mr. PROCTOR. China produces more carbon dioxide and greenhouse gasses than all the other iron and steel manufacturing companies in the world combined.

Mr. MURPHY. Thank you.

Ms. Daniels, real quickly, how big of a national problem is the undiscovered water systems containing pathogens like in Cydectin?

Ms. DANIELS. It is really hard to quantify that. Every year it seems we find one or two undiscovered water systems mainly in our rural areas.

When you are driving past a community it is hard to see, are they on private wells or a connected community water system?

So often we find out about them because we get folks calling complaining about water quality, and that sort of leads us to the investigation.

Mr. MURPHY. Thank you. I yield back.

Mr. SHIMKUS. The gentleman yields back the time. The chair now recognizes the gentleman from California, Mr. Peters, for 5 minutes.

Mr. PETERS. Thank you, Mr. Chairman, and thanks for having this hearing. It comes at an important time when we obviously heard issues like Flint, we have got a 5-year drought ending in California, and it is a good time to talk about sustainability and resiliency, and we see reports that water prices would have to increase by 41 percent in the next 5 years to cover the costs of replacing infrastructure.

A New York Times op-ed by Charles Fishman said "Water is Broken. Data Can Fix It." And it claims that more than any single step, modernizing water data would unleash an era of water innovation like anything in the century. So I wanted to explore that with some of you who mentioned that.

Ms. Thorp, you said that in your testimony that invasion data and information systems could increase transparency, enhance

public engagement and awareness, provide more effective oversight and ultimately lead to increased public health protection.

Can you tell me kind of what are the primary drivers for the lack of data and, you know, what are the steps we might take to employ data to be doing something beyond what we all agree we are doing today but we need to do?

Ms. THORP. Thank you, Congressman Peters.

I think it is not a lack of data necessarily. It may be a lack of ability to compile the data and then make it usable to not only regulators but to folks in the drinking water sector in the public interest and public health communities.

There are some interesting recommendations on that sometime late last year the President's Council of Science Advisors did an interesting report on drinking water data and urged folks to take a look at it. I do think some of the authorizations we have talked about today for state programs, as well as SRFs and EPA itself could lead to progress.

Mr. PETERS. I guess I am looking for more specifics on the steps we should be taking.

Sometimes I find that if you leave it up to states to make these decisions, some of them will make more progress than others if they are not given the kind of technical assistance that we might be able to provide here.

Ms. THORP. Well, one simple step would be improving the technology we use both at EPA and in states for making it possible for drinking water consumers to understand monitoring results in their water systems, not just lead but others. That sort of thing.

Mr. PETERS. Mr. Potter, maybe you had some ideas about this, as well. Is it feasible to put water quality data online in real time, would that increase transparency?

Mr. POTTER. Yes sir it is. Was that directed to me?

Mr. PETERS. I am sorry, I was looking at Proctor, but I am sorry, Mr. Potter, yes.

Mr. POTTER. Yes sir it is. We have real time water quality data that we do and can put on the web.

Mr. PETERS. Is there something in this bill we should be doing to encourage that?

Mr. POTTER. I think encouragement of that in the asset management realm would be a perfect idea. Another example would be use of automatic metering to measure use at the tap and compare that to production. That would be a great asset management tool to identify where your leaks are.

So that is lots of room for additional technology to be used in our industry.

Mr. PETERS. Is that being successfully employed in particular places?

Mr. POTTER. We are exploring that presently.

Mr. PETERS. OK. But you are exploring whether it is being employed or how it could be employed?

Mr. POTTER. How it can be used once it is deployed. We are transitioning to that technology right now.

Mr. PETERS. Mr. Vause, maybe you could tell us, we received a D on our drinking water infrastructure, and you have talked about

whether this bill appropriately addresses the water infrastructure needs.

What funding levels would you recommend adding into each bracket, and briefly why would you do that?

Mr. VAUSE. Mr. Peters, we talked earlier about the fact that we would recommend appropriations at the full authorization level for WIFIA at \$45 million in fiscal year 2018, a doubling of the SRF's water and wastewater from their current fiscal year 2017 levels for fiscal year 2018.

To the issue of the data and the information, if that is part of this question, as well, I concur with what was said using it for asset management but also from security and preparedness, having on time real line data on water system quality I think is a very, very vital thing, and I think the PWSS programs and supporting the states in their efforts at not less than the current funding levels are really important to go forward.

Mr. PETERS. And just along the lines of Mr. McNerney's question I think we have something here that we can find wide agreement on, but I think we can do more, and I hope we take the opportunity to improve off of the standard things we have been doing for a long time, and I appreciate all the witnesses for being here today. I yield back.

Mr. MCKINLEY [presiding]. The gentleman's time is expired. I recognize myself for 5 minutes.

To the group, maybe it goes to you, Mr. Proctor, about energy efficiency. Tonko out of New York and Welch out of Vermont, we have worked together on trying to find ways of efficiency, and one of the things that I am concerned about is from this in the water system one of two engineers in Congress, and one of the things we are talking about is always how do we improve efficiency?

And I think a smart grid system could be very interesting with our meters, and I think you were alluding to that perhaps in your testimony because if we have 240,000 breaks during a year, and we lose anywhere from 20 to plus percent of our water, that is not efficient. The electricity is lost in motors and generating pumps to move that and the water we are moving and the chemicals all the process, so the efficiency, I know that Europe is investing about \$8 billion in the next 3 years in a smart systems smart metering system.

Do you see that as being part of the solution of how we can be more prudent in our water programs?

Mr. PROCTOR. Absolutely. And I would like to make two points about that. One is the smart technology that is emerging right now does create the opportunity to monitor as well as meter water that is flowing through our distribution systems.

So you can detect leaks, and when you can detect the leaks you know exactly where it is so you don't spend a lot of time looking around trying to find it so you can repair it.

Mr. MCKINLEY. If Europe is so much out in front with \$8 billion, do you know what kind of numbers we are putting into this, into the research, into a smart meter?

Mr. PROCTOR. I don't know the answer to that.

Mr. MCKINLEY. If you can get back to me on that.

The other thing I wanted to talk about maybe to you, Mr. Vause, is rural water. I come from West Virginia. We have a lot of areas that are really hurting for water, and I am thinking in Alaska you have got a similar situation.

And we know around the world there are some deficiencies with that people can't get access to water. And there is a program that is being developed in West Virginia at Ohio Valley University with Katharos, it is a group out of Denver in consolidation or in coordination with the Ohio Valley University to develop a mobile water treatment facility.

And they have been able to get it now to the point that they can produce water now at \$0.27 per person per day. That is pretty competitive with it. So I am wondering whether or not that is something that we should—first, are you first are you aware of the Katharos Catharis program?

Mr. VAUSE. I am not aware of that particular program myself, but at our state, in Alaska for example, there are several ways that we are researching in partnership with the EPA ways to improve water supply to many rural areas of our state, and those include using innovation and trying to provide recycling and reuse technologies, so that for the limited supplies that are available, that there are ways in which we can improve at a household level the ability to have—

Mr. MCKINLEY. I know their program is what they are trying to develop there, is also been using solar panels, so they can go to areas without electricity and still be able to process water for families in that immediate area.

I think it also has opportunity for us where we have some serious leaks where people can't get water that a mobile unit could come in and be able to provide them water service during the interim period of time.

I am very optimistic that these mobile units could be very helpful to us, so I thank you on that. Could you grab that? This is an example of, when I say a water problem, I have designed thousands of miles of water systems, and this is one in rural West Virginia, a good 1-inch waterline that probably has about 80 percent of it occluded that they can't pass water through.

This is what we see all across America. That is why this urgency of getting something done so that these families can have dependable clean water, and this is certainly unable to provide that.

So I thank you for that and I yield the balance of my time. Who do we have next?

OK. Mr. Green, you are recognized for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman. I want to thank our chairman and ranking member for holding hearings today.

Water challenges are all over the country and where I am from in Texas I have a very urban district. It is mostly incorporated by either the City of Houston or smaller cities that provide water, but we have some areas that are urban areas outside the city limits and none of the cities will annex it because of the low property values. They just can't afford to come in and put new waterlines or streets or anything else.

So what I was going to see if is in these unincorporated communities that are very urban, and I am sure rural areas have the

same problem with low property values. In Texas we created decades ago water districts that are actually local levels of government for water and sewer and other things if they would like.

But, again, you can't even create that if you have low value for your property because you can't sell bonds if you can't afford to pay them off.

Is there a Federal program for these areas similar to what rural water authorities would be to help get water and sewer because, again, these are very urban areas, but our traditional sources of water and sewer are not there, so what they have is water wells and septic tanks that are, again, in urban areas not designed to have that much usage, I guess.

Is there a Federal program that would help that? Our county commissioners have helped with what they can but, again, they don't have the budget oftentimes to except to provide just a little bit of money, so that we have a partner but we would need Federal funding to do it in a low wealth area.

Anybody have any? Yes, sir.

Mr. FLETCHER. Rural development has their water loan and grant program, and in Illinois, in my system itself, was unserved back in the late eighties. And we got a group of people together that tried to form this water system. And they went and talked to people, and people put deposits in of \$20. It cost them \$150 to get the meter once we had funding, but we went to a Farmers Home Administration and got our first loan and grant was \$2-and-a-half million.

And we served those people. And we have continued to do that through this program. And I can only assume that there could be somebody in that area that would take the bull by the horns and try to do the same thing there.

Mr. GREEN. Mr. Proctor, can you tell us a little about the role your company plays in drinking water infrastructure projects?

Mr. PROCTOR. Yes, sir. We manufacture the basic building blocks for the Nation's water infrastructure. We make pipe, valves, fittings, fire hydrants, and all those related projects.

Mr. GREEN. OK. Coming from Houston, and I have a whole bunch of chemical plants that make PVC pipe, and I just met with a group of them yesterday. I know there is some competition because PVC typically doesn't rust, but there is other problems with it also, so what would you guess would be the usage of PVC compared to metal pipes?

Mr. PROCTOR. I am not sure what the percentages are exactly, but I can say this, that iron is much more durable than PVC, and their modern techniques virtually eliminate the corrosion for pipe that is installed today.

But even without that, if you look at the track record of iron, as someone mentioned earlier, there was a problem that occurred just the other day for a pipe manufactured in 1860, and that was old cast iron.

Today we have ductal iron that is even stronger and lasts even longer.

Mr. GREEN. OK. And I know in my area, though, when we see new subdivisions built I almost always see it being built by PVC. Again, because local prices and things like that I guess goes there.

What are the steps that Congress and the EPA can take to ensure that we have the trained workers who need to modernize and maintain our water system? In our district, like I said earlier, we have disadvantaged communities that do not have the resources to invest. In fact, some of the areas in our district would be called—are colonia, which decades ago was created along the border.

Somebody would go buy, set out a subdivision, but they wouldn't provide any water and sewer, so people would buy a lot, and the only way they could get water is do their own well or a septic tank. But I am also interested in the training for the employees that need to be putting these systems in.

Anybody on the panel? Yes, sir.

Mr. FLETCHER. Texas Rural Water Association has circuit riders and technical assistance and training for people like that, for operators that want to learn how to operate a system and get certified. And it is free of charge to these small communities.

Mr. GREEN. Great. Thank you. I have run out of time. Thank you, Mr. Chairman.

Mr. SHIMKUS. The gentleman's time has expired. The chair now recognizes the gentleman from Mississippi, Mr. Harper, for 5 minutes.

Mr. HARPER. Thank you, Mr. Chairman, and thank you for holding this hearing. I know this is an issue we have looked at for years and continue to be concerned about.

I want to thank each witness for being here and taking time to help us. This is something that as we look at the aging infrastructure in so many of these systems and how we are doing that, and I agree to Mr. Fletcher, the circuit riders in my State of Mississippi have done a remarkable job of helping areas that maybe don't have the resources, and I think that has been a great value across the country where those have been used.

Mr. VAUSE, if I could ask you a couple of questions. And I know that Mr. Tonko touched on some of this earlier, but I want to try to look a little deeper. I know in your written testimony you emphasize the need for asset management to be encouraged but not mandated. Is there agreement among the industry as to what constitutes good asset management practices?

Mr. VAUSE. There are basically two models, and those models revolve around five basic concepts. The concepts are more or less solidified between those two models, and so what constitutes good practice really gets to the level of how well you practice each one of those five steps within asset management.

So, I would say generally yes is the answer to that question.

Mr. HARPER. OK. But also in that these are sometimes goals or objectives, but how they are met I guess depends upon the resources and determination of each group. Would that be correct?

Mr. VAUSE. There is. There are policy considerations, considerations that go to what are the necessary levels of service that need to be provided for a particular community. Those are objectives that are set through public policy. There are what are also besides the required levels of service are what are the tolerances that a community has for the degree of risk that they are willing to accept or not accept.

Again, those are public policy choices that are made best at the local level, and so there is no one specific answer.

Mr. HARPER. Sure. And of course you are here wearing more than one hat, but on behalf of the American Water Works Association what is that organization doing to encourage or support that better asset management?

Mr. VAUSE. Yes. We provide through a variety and suite of educational offerings, both in printed materials, in conferences, in workshops, webinars, and so forth, a variety of opportunities for practitioners to be able to learn about these concepts, to see how they are applied both in the United States and elsewhere.

And to bring that information down to the level that allows people from the top executive level down to the plant floor and operators to have the opportunities, the educational opportunities that are necessary to learn how to best apply those practices for their utilities.

Mr. HARPER. All right. Well, let's look at where we are right now. If we were talking about what industry or government could do, that might encourage better asset management, does something stand out that you would give us as a takeaway that you want to make sure we don't miss?

Mr. VAUSE. I think the ability to have the Environmental Protection Agency to be able to monitor these developments and provide materials on a periodic basis to update as time progresses, I think that is an important thing to include in this particular legislation is to ask the administrator to be able to update those on a regular basis and to make them available to all water systems across the United States. I think that is one aspect.

The second aspect that I think is as important is to provide the encouragement through providing a positive incentive to those systems that are interested in securing an SRF loan to be able to reward them for having made positive steps in advancing and adopting those practices at their local utility, not to penalize anyone for not having done so.

But to reinforce through positive rewards, if you will, the ability to work with the agencies and to secure loans so that there is a recognition that advancing these practices leads to good things for utilities.

Mr. HARPER. And do you believe you have sufficiently objective criteria to measure that progress?

Mr. VAUSE. I think there are ways to measure that, and we would certainly be interested in working with the panel here to help identify those specific things that would be able to show measurable progress.

Mr. HARPER. Thank you very much. And with that I yield back.

Mr. SHIMKUS. The gentleman yields back his time. Mr. Chair?

Mr. TONKO. If I might, I know we are rushing off to the briefing for all the House Members.

I just wanted to offer this observation, that everyone is indicating that we need more Federal dollars to address what is a basic core bit of infrastructure that speaks to our needs, individual needs, household needs, and business needs. But if we can find it in our means to provide for 70 billion from the general fund for roads and bridges the FAST Act, I think we need to step up and

say, hey, look, this is a hidden infrastructure that cannot be out of sight and out of mind.

We need to do better. We need to prioritize here and not set aside the needs here that should be funded with additional resources from the Federal budget based on recent happenings here in DC.

Mr. SHIMKUS. And I applaud my colleague for being passionate and committed. So thank you for that.

Seeing there are no further members wishing to ask questions for the panel, I would like to thank you all for coming and also coming early. Again, in my 20 years this is probably the earliest hearing I have been involved with.

Before we conclude I would like to ask for unanimous consent to submit the following document for the record, a letter from the United States Steel Workers. Without objection so ordered.

[The information appears at the conclusion of the hearing.]

Mr. MCKINLEY. And pursuant to committee rules I remind members they have 10 business days to submit additional questions for the record, and I ask that witnesses submit their responses within 10 business days upon receipt of the questions.

And you may get a little bit more since we are so busy this morning, so I think minority counsel warned you all about that previously. Upon receipt of the questions.

Without objection, the subcommittee is adjourned.

[Whereupon, at 10:11 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

**STATEMENT FOR THE RECORD
U.S. ENVIRONMENTAL PROTECTION AGENCY
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON ENVIRONMENT**

**HEARING ON “H.R. __, DRINKING WATER SYSTEM IMPROVEMENT ACT AND
RELATED ISSUES OF FUNDING, MANAGEMENT, AND COMPLIANCE ASSISTANCE
UNDER THE SAFE DRINKING WATER ACT”**

MAY 19, 2017

Chairman Shimkus, Ranking Member Tonko, and Members of the Subcommittee, thank you for the opportunity to provide testimony for today’s hearing record regarding the EPA’s efforts to support our nation’s drinking water infrastructure investments to protect human health.

This statement includes several parts. First, it summarizes the EPA’s Drinking Water State Revolving Fund program, which is a significant source of infrastructure funding for our nation’s public water systems. Second, it summarizes the EPA’s other efforts to understand needs, challenges, and the collaborative work with states, public water systems, and other stakeholders to ensure that our water systems provide clean and safe drinking water to all Americans. Finally, it discusses the concepts of the “Drinking Water System Improvement Act of 2017,” which the Subcommittee is discussing today.

Challenges Facing our Nation’s Water Infrastructure

Our nation’s drinking water infrastructure delivers critical public health protection and serves as a cornerstone for economic development across the country. Some of this infrastructure dates over a century old, which is at or beyond its useful life. The EPA’s 2011 Drinking Water Needs Survey identified nearly \$384 billion in capital improvement needs, eligible for the Drinking Water State Revolving Fund, to keep pace with the aging of this critical drinking water requirement over the next 20 years. These investments comprise pipe and other components of drinking water distribution systems, as

well as thousands of treatment plants, storage tanks, and other key assets to ensure the public health, security, and economic well-being of our cities, towns, and communities. Implementing the projects that are needed to maintain and upgrade our existing drinking water infrastructure will remain an essential strategy for protecting the public health in America's communities in the years ahead.

Drinking Water State Revolving Fund

Through the Drinking Water State Revolving Fund (DWSRF), community drinking water systems of all sizes are supported with assistance to maintain the essential components and functions of these systems. Established by the 1996 Safe Drinking Water Act (SDWA) Amendments, the DWSRF is one important tool available to states and local water systems as they seek to address the challenge of continuing to provide safe drinking water. The program creates efficient and sustainable financing programs uniquely tailored to each state's special circumstances, making it a highly successful state-federal partnership and an important complement to the new Water Infrastructure Finance and Innovation Act (WIFIA) loan program.

The EPA provides capitalization grants to the state DWSRF programs as an investment in the nation's infrastructure. By contributing an additional 20 percent of what the EPA provides, states further enhance the size and effectiveness of the program. Twenty-two states leverage their program on the tax-exempt debt market to increase their lending capacity. They make loans at below-market rates, at an average of two percentage points below market over the last several years. Often the result is a substantial interest savings for communities, providing the equivalent to a grant covering approximately 20% of the cost of a project. States even have the flexibility to charge no interest over the life of a loan.

The programs operate on the basis of cost reimbursement. Even though a grant is made directly to a state by the EPA, no funds leave the Treasury until costs are incurred. Through 2016, a total of nearly \$32.5

billion in assistance has been provided by the 51 DWSRF programs to more than 13,000 projects across the country. Over the last three years, the 51 DWSRF programs have provided on average \$2.25 billion per year to communities to finance about 770 projects each year, including assistance to non-infrastructure, capacity-building, and prevention-focused set-asides.

The fiscal year 2018 President's Budget provides robust funding for critical drinking water infrastructure investment. It furthers a commitment to infrastructure repair and replacement, which would allow states, municipalities, and private entities to continue to finance high priority infrastructure investments that protect human health. The President's Budget also includes a total of \$2.3 billion for the State Revolving Funds (including both the DWSRF and the Clean Water SRF), a \$4 million increase over the 2017 annualized Continuing Resolution level.

Protecting Public Health and the Environment with DWSRF

Priority for DWSRF assistance is given to systems facing an immediate threat to public health, systems with infrastructure investment needs to comply with SDWA health standards, and systems most in need on a per-household basis according to state affordability criteria. Reflecting these priorities, about 40% of projects involve treatment upgrades, 40% involve rehabilitation or replacement of distribution pipes, 10% involve source water, and 10% involve improvements to finished water storage. Repayments, a significant feature of the SRFs, are recycled back into the program to provide a source of ongoing funding for additional drinking water projects. Through mid-2016, nearly \$8 billion in principal and interest has been returned to the DWSRFs by borrowers.

Additionally, states have the ability to leverage federal grant awards through the sale of tax-exempt bonds. A very basic example of bond leveraging is a state that receives a \$10 million annual capitalization grant. Using its stream of repayments as security, the state might issue \$20 million in

bonds, “leveraging” its \$10 million capitalization grant to get \$30 million in lending capacity. The net proceeds of these bonds have provided over \$7 billion in additional funding for critical projects.

States have the authority, under the DWSRF, to use a portion of their capitalization grants for additional subsidization in the form of principal forgiveness or grants. This valuable authority allows provision of critical resources to the neediest communities unable to afford SRF loans. To date, states have provided nearly \$3 billion in additional subsidy to state-identified disadvantaged communities.

Small water systems (those serving 10,000 or fewer persons) have received 71% of the total number of assistance agreements made over the program’s history, but account for 35% of all dollars awarded for assistance. In contrast, the largest cities (those serving more than 100,000 persons) have received 7% of the number of assistance agreements. Because of the size and complexity of these large systems, their agreements account for 27% of all dollars awarded for assistance. The DWSRF has successfully established a record of addressing varying water system needs across our nation’s communities, both small and large.

A significant feature of the DWSRF is the flexibility it provides states to use up to 31% of each capitalization grant for a variety of set-asides. The set-asides help states fund administration of the DWSRF, provide technical assistance to small systems, advance the core public health protection mission of state drinking water programs, and support system-level efforts to enhance efficiency and performance.

Capacity Development and Operator Certification Programs

While DWSRF funds play an important role in addressing the nation's infrastructure needs, the 1996 amendments to SDWA created the Capacity Development and Operator Certification programs. In

implementing these programs, the EPA is also playing a broader role in working to ensure that investments by federal, state, and local governments, as well as the private sector, will yield the public health protections they are intended to support. Toward this end, through the DWSRF program and other efforts, the EPA works with states and local communities to emphasize the importance of asset management and capacity development at the state and local level. The EPA is working with partners across the water sector and beyond to provide the knowledge and tools to ensure that the investments we make in our water infrastructure yield resilient and sustainable public health protections. This goal can be achieved through partnerships with states, tribes, local governments, and water systems to develop and maintain technical, managerial, and financial capacity, as well as by promoting professional development in the water sector in order to ensure that there is a pool of qualified water professionals to meet current and future needs. The EPA is targeting its resources toward helping systems achieve results in the following areas:

- Promoting an asset management framework that ensures the right investments are made at the right time;
- Promoting water system partnerships that create opportunities to improve service and public health protection, reduce costs, and address future needs;
- Promoting infrastructure financing and providing options to pay for water infrastructure needs, including through full-cost pricing; and
- Promoting investment in a strong water workforce through capacity development, operator certification, and knowledge sharing, recruitment, and training in the water sector.

The Drinking Water System Improvement Act of 2017

The Administration has not taken a position on the Drinking Water System Improvement Act of 2017, but the EPA appreciates the opportunity to provide information relevant to the important issues that this bill would address. These issues include the DWSRF; the State Public Water System Supervision

(PWSS) program grants; efforts funded by the DWSRF set-asides, such as asset management and water system partnerships; and demonstration of compliance with federal cross-cutting requirements, each of which plays a critical role in protecting public health in communities across the nation.

As designed within SDWA, the states' PWSS programs are the foundation of the implementation of SDWA by the states, and the federal PWSS grant assists in the successful operation of state programs. The PWSS program and the DWSRF set-asides are fundamental to ensuring effective implementation of state drinking water programs. The PWSS program supports conducting sanitary surveys, providing technical assistance to public water systems, developing and maintaining state drinking water regulations, ensuring that public water systems provide information to their consumers, and performing other core program implementation functions. The DWSRF set-asides support activities necessary to ensure safe and affordable drinking water such as asset management, water system partnerships, training and technical assistance, financial management and rate studies, and source water and wellhead protection. Asset management; water system partnerships, including consolidation; and source water protection are important tools to develop and maintain sustainable drinking water systems. As noted earlier in this statement, the agency works with states, tribes, local governments, water systems, and other water sector stakeholders to support the development of these programs. With this wide range of potential activities, the DWSRF set-asides have become an important source of funding for state drinking water programs.

Additionally, providing flexibilities to states in the use of DWSRF funding can also support states and systems in ensuring the protection of public health. The use of additional subsidization and extended loan periods are important options to help small and disadvantaged communities improve and maintain sound drinking water infrastructure. In the application of these flexibilities, it is important to ensure that the states are able to manage the funds in perpetuity.

Conclusion

The EPA's DWSRF program is focused on actions and funding to achieve compliance with environmental and public health standards. Addressing these challenges will require effort from the EPA, states, communities, and other partners. It will require us to use more innovative and sustainable tools to solve these significant challenges. We look forward to working with Members of the Subcommittee, our federal and state colleagues, and our many partners, stakeholders, and citizens who are committed to continuing our progress in providing clean and safe drinking water to all Americans.

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
House of Representatives
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2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115
Majority (202) 225-2927
Minority (202) 225-3641

June 9, 2017

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Dear Administrator Pruitt:


Thank you for submitting a statement for the record for the Subcommittee on Environment's Friday, May 19, 2017 hearing entitled "H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, June 23, 2017. Your responses should be mailed to Elena Brennan, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Elena.Brennan@mail.house.gov.

Thank you again for your assistance to the Subcommittee.

Sincerely,


John Shinkus
Chairman
Subcommittee on Environment

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

Attachment

EPA Responses to Questions for the Record
House Committee on Energy and Commerce, Subcommittee on Environment
May 19, 2017, Hearing on "'H.R. __, Drinking Water System Improvement Act and Related
Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

The Honorable John Shimkus

1. What do you consider the core mission and programs of the Agency?

The mission of the EPA is to protect human health and the environment. In carrying out its mission, the EPA works to ensure that all Americans are protected from exposure to hazardous environmental risks where they live, learn, work, and enjoy their lives.

Under Administrator Pruitt, the EPA is building on the agency's progress to date by focusing on three core philosophies for carrying out the EPA's mission:

- Rule of law: Administering the laws enacted by Congress and issuing environmental rules tethered to those statutes, relying on agency expertise and experience to carry out congressional direction and to ensure that policies and rules reflect common sense and withstand legal scrutiny.
- Cooperative federalism: Recognizing the states and tribes, as applicable, as the primary implementers and enforcers of many environmental laws and programs, and partnering with them to engender trust and maximize environmental results to protect human health and environment.
- Public participation: Fulfilling obligations to conduct open and transparent rulemaking processes, engaging with and learning from the diverse views of the American public, and addressing stakeholder input on the impacts of rules on families, jobs, and communities.

2. How does the DWSRF and SDWA fit into a Back to Basics strategy?

Administrator Pruitt's "Back-to-Basics Agenda" reflects his efforts to refocus the EPA on its intended mission, return power to the states, and create an environment where jobs can grow. The agenda focuses on the three E's:

- Environment*: Protecting the environment
- Economy*: Sensible regulations that allow economic growth
- Engagement*: Engaging with state and local partners.

A priority for the agency is modernizing the outdated water infrastructure on which the American public depends. While most small systems consistently provide safe and reliable drinking water, many small systems face challenges with aging infrastructure, increasing operational costs, and decreasing rate bases. The President's FY 2018 budget provides funding for critical drinking and wastewater projects. These funding levels support the President's commitment to infrastructure repair and replacement and would allow states, municipalities, and private entities to finance high-priority infrastructure investments. The FY 2018 budget includes \$2.3 billion for the State Revolving Funds and \$20 million for the Water Infrastructure Finance and Innovation Act (WIFIA) program. Under WIFIA, the EPA could potentially provide up to \$1 billion in credit assistance, which, when combined with other funding sources, could spur an estimated \$2 billion in total infrastructure investment. This makes the WIFIA program credit assistance a powerful new tool to help address a variety of existing and new water infrastructure needs.

The EPA will continue to partner with states, drinking water utilities, and other stakeholders to identify and address current and potential sources of drinking water contamination. These efforts are integral to the sustainable infrastructure efforts as source water protection can reduce the need for additional drinking water treatment and associated costs. As progress has been made, work remains for existing and emerging issues.

The Honorable Frank Pallone, Jr.

Buy America

1. Is it the policy of this Administration to support Buy America requirements on projects financed by Drinking Water State Revolving Fund loans?

Yes.

Asset Management

Section 3 of the Drinking Water System Improvement Act discussion draft amends section 1420(c) of the Safe Drinking Water Act, which conditioned receipt of SRF capitalization grants on the development and implementation of state capacity development strategies. Current law does not include a requirement to periodically revise those capacity development strategies, and the discussion draft does not create such a requirement. Despite this, the discussion draft adds a new requirement for the content of those plans.

2. Have all states developed capacity development strategies under this section?

Yes, all states with Safe Drinking Water Act primacy and Puerto Rico have developed capacity development strategies.

3. Have states periodically revised these strategies?

Yes, states revise their strategies to incorporate new initiatives and/or programmatic changes. During the revision process, states seek public and stakeholder input on strategy revisions.

4. Has EPA required states to periodically revise these strategies?

No. The EPA does not require strategy revisions but suggests states review and update their strategies, and many states have done so. The EPA supports state capacity development activities through information sharing on best practices, and through development of tools and resources.

5. Would the language in section 3 create a requirement for states to revise and resubmit these strategies?

The language may require some states to revise and resubmit their capacity development strategy. Some states may already have asset management included in their strategy.

6. The 1996 SDWA amendments provided 4 years for states to develop the capacity development strategies - how much time would be provided under section 3 for states to revise these strategies before they are penalized with decreased funding?

The EPA would consult with Congress, states, and key stakeholders, to identify an appropriate time to allow for strategy revisions.

Source Water Protection

Section 6 of the Drinking Water Systems Improvement Act discussion draft amends the source water protection provisions in the Safe Drinking Water Act in two ways. First, it removes the fiscal year limitation on the use of SRF capitalization grants by states for source water protection. Second, it bars the use of those funds for costs arising from requirements under the Federal Water Pollution Control Act.

7. Does this section make additional funding available for source water protection activities?

States have not been using the full 15% of the DWSRF set-aside under SDWA Section 1452(k). Therefore, most states would have the ability to take additional funds in this section for source water assessments if they choose to. States can make source water assessments a regular and ongoing activity, since they may take this set-aside every year.

8. If these activities are to be funded from current capitalization grants, do many states have surplus funds to direct towards source water protection activities?

We would interpret the changes made by this legislation to apply to future capitalization grants, and thus currently unspent funds from prior capitalization grants would not be used for this purpose.

9. Current funding allotments are based on EPA's needs assessment - does that assessment incorporate source water protection costs?

No. The EPA's Drinking Water Infrastructure Needs Survey includes only the rehabilitation or replacement of existing infrastructure or installation of eligible new infrastructure, such as water treatment plant components or a drinking water intake. It does not include source water protection activities.

10. Is the limitation on using funds for costs arising from requirements under the Federal Water Pollution Control Act a new limitation? If no, is the additional language needed? If yes, what will the impact of this limitation be?

Existing SDWA language requires that funds for source water protection can only be used to fund voluntary, incentive-based mechanisms. The EPA is not aware of any funding under 1452(k) that has gone to support compliance with Federal Water Pollution Control Act (Clean Water Act) requirements.

11. Who would be responsible under this language for determining what source water protection activities can be funded under section 1452(k)(l) versus what costs arise from requirements under the Federal Water Pollution Control Act?

The state DWSRF program is responsible for complying with statutory requirements. The EPA reviews states' Intended Use Plans, Annual Reports, and financial documentation to ensure that DWSRF funds are spent appropriately. If this provision were enacted, the EPA would issue guidance, if necessary, to explain or clarify the statutory requirements as part of the agency's role in overseeing state DWSRF programs.

12. If a state used funds under this section for source water protection activities that contributed to compliance under the Federal Water Pollution Control Act, would the state be penalized? What would the penalties be, and how would they be enforced?

See response to Question 11 above. Given the potential for ancillary benefits from source water protection activities for Clean Water Act compliance, the EPA would need to carefully consider how best to implement this provision.

The EPA website provides resources to assist with source water protection and states, "Preventing source water contamination is preferable to remedying its negative effects." The website also says that "Preventing source water contamination can be less costly than remedying its effects."

13. Do these statements still reflect the position of the EPA with regards to source water protection?

Yes.

Cross-Cutting Requirements

Section 8 of the Drinking Water System Improvement Act discussion draft grants the EPA Administrator to accept demonstrations of compliance with state or local laws as a demonstration of compliance with "federal cross-cutting requirements" that are equivalent. That section defines the term "Federal cross-cutting requirement" as a federal requirement that would be redundant with a requirement of an applicable state or local law.

14. This section introduces two different standards for comparing federal and state requirements - first that they are "equivalent" and second that they are "redundant." Would the EPA interpret these standards as meaning the same thing?

The EPA would interpret these terms in a complementary way. If the federal requirement is the same as an existing state requirement, then it would be considered to be duplicative or redundant. In some cases, a state may have a requirement that EPA believes achieves the same result as the federal requirement. In such a case, EPA could determine that the state requirement is equivalent to that of the federal action.

15. What cross-cutting [requirements] do you anticipate would be covered by this section? Does this apply to demonstrations to be made to the EPA by states receiving capitalization grants under the SRF? Does this apply to demonstrations to be made to states by water systems receiving loans under the SRF?

Additional information on the cross-cutting federal authorities potentially applicable to the DWSRF program are outlined in the EPA's cross-cutter handbook at <https://www.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>. A number of

these cross-cutting provisions could be covered by this section. The demonstration of compliance with a particular authority would be made to the EPA by states receiving capitalization grants or water systems receiving loans under the SRF.

16. Under the language, the Administrator determines whether a demonstration is "equivalent" but the definition seems to be ambiguous as to who determines what requirements are "redundant." How would you interpret this ambiguity?

The EPA would implement the provisions similarly. If the Administrator determines that a state provision is equivalent to a federal requirement or if the Administrator determines that a federal requirement is redundant with a state requirement, then the EPA would allow a demonstration of compliance with the state requirement to count as compliance with the federal requirement.

Lead and Copper Rule Long-Term Revisions

17. Last year, EPA testified before the Committee that the long-term revision of the Lead and Copper Rule (LCR) was expected to be finalized in 2017. Is EPA still on track to publish a revised LCR in the coming months? If not, what has changed?

Protecting children from exposure to lead is a top priority for the EPA. The agency has conducted extensive engagement with stakeholder groups and the public to inform potential revisions to the LCR. The EPA is carefully evaluating the recommendations from these groups and is giving extensive consideration to the national experience in implementing the rule as well as the experience in Flint, Michigan, as we develop proposed revisions to the rule. The EPA must also consider the potential impact of these regulatory revisions on the thousands of communities across the country that will have to implement these requirements. The EPA plans to provide additional information regarding its rulemaking timeline in the unified agenda later this summer.

18. How would cuts to EPA funding in the President's budget impact your ability to finalize revisions to the Lead and Copper Rule?

Protecting children from exposure to lead is a top priority for the EPA. We will continue to assure that resources are available to improve public health protections under the Lead and Copper Rule.

19. How would cuts to the Office of Enforcement and Compliance Assurance (OECA) in the President's budget impact your ability to enforce current requirements under the lead and copper rule?

The EPA will continue to coordinate with states, tribes, and territories to enforce not only the Lead and Copper Rule, but all SDWA national primary drinking water regulations. The EPA will continue its work with our co-regulators to ensure that owners/operators of public water systems address noncompliance in a timely manner, prioritizing those systems with the most serious or repeated violations.

Flint Response**20. How would cuts to EPA funding in the President's budget impact your ability to provide guidance and technical assistance to the community of Flint, Michigan?**

In March, the EPA awarded a \$100 million grant to the Michigan Department of Environmental Quality to fund drinking water infrastructure upgrades in Flint. The EPA will continue to work with the State of Michigan, the City of Flint, and other federal agency partners to improve the City's public water system. More generally, the agency will continue to work with states, including the state of Michigan, to implement requirements for all national primary drinking water regulations and to ensure that drinking water systems, including the City of Flint, install, operate, and maintain appropriate levels of treatment and effectively manage their distribution systems. For instance, the EPA will continue to focus on working with states to optimize corrosion control treatment to minimize exposure to lead. The EPA will also continue to focus on small systems by strengthening and targeting financial assistance, in coordination with state infrastructure programs, to support rehabilitation of the nation's infrastructure. The agency also will look for ways to promote partnerships among water systems to build capacity and work with states and tribes, as well as with utility associations, third-party technical assistance providers and other federal partners, to promote the sustainability practices that are the foundation for building technical, managerial, and financial capacity.

21. How would the cuts impact your ability to continue to monitor chlorine levels biweekly and collect sequential samples for lead assessment on a bimonthly basis?

The EPA concluded regular chlorine monitoring in Flint at the end of 2016 because the city began assessing chlorine levels more frequently at additional locations throughout the city in early 2017. The EPA's last round of sequential sampling for lead took place in November 2016. As such, the EPA is no longer conducting biweekly chlorine monitoring or sequential lead sampling in Flint, so any changes in the EPA's budget would not affect these past sampling activities.

22. In December, EPA agreed with recommendations from the EPA Office of the Inspector General (OIG) to issue updated guidance through OECA on emergency authority under Section 1431 of the Safe Drinking Water Act. That guidance is due to be issued in November 30, 2017. Do you still anticipate issuing that guidance by November 30, 2017? How will proposed budget cuts for OECA affect the issuance of that guidance?

Yes, in accordance with the OIG's October 2016 Management Alert (Alert) regarding EPA authority to issue emergency orders to protect public health, OECA still plans to issue updated SDWA Section 1431 guidance and train all relevant EPA drinking water and water enforcement staff and management on Section 1431 by the November 30, 2017, deadline. Given the scope of drinking water issues and resources available, the EPA continually works to prioritize matters and protect public health. In this regard, OECA recognizes the importance of the issues raised in OIG's Alert and, thus, has maintained efforts to update our SDWA Section 1431 guidance and conduct training.

23. EPA also agreed in December with the OIG's recommendation to train all relevant EPA drinking water and water enforcement staff on Section 1431 authority by November 30th, 2017. Do you still expect to complete that training by November 30, 2017? How will proposed budget cuts for OECA affect that training?

OECA still plans to train all relevant EPA drinking water and water enforcement staff and management on Section 1431 by the November 30, 2017, deadline. Please see our response to Question 22 above.

Board of Scientific Counselors

24. Last month, EPA dismissed many members of the Board of Scientific Counselors (BOSC). Please provide the full list of members who were terminated, as well as those who remain.

Similar to other federal advisory committees, BOSC members are appointed to serve a three-year term as a Special Government Employee (SGE), which can be renewed once. On April 28, the three-year terms expired for nine members of the BOSC Executive Committee (names provided below) and their terms were not renewed. On May 25, the EPA published a Federal Register Notice soliciting public nominations for members of the BOSC. On June 19th, BOSC members whose terms will be expiring in August were also informed that their terms would not be renewed. Those members whose terms had expired or will be expiring shortly were informed that they could reapply for consideration during this nomination period.

Members Whose First Terms Expired:

Viney Aneja	Courtney Flint	Tammy Taylor
Sandra Smith	Shahid Chaudhry	Ponisseril Somasundaran
Robert Richardson	Paula Olsiewski	Gina Solomon

Members Whose Second Terms Ended (Members cannot serve more than two terms):

John Tharakan	Susan Cozzens
Earthea A. Nance	Diane Pataki

Members Who Resigned:

Peter Meyer	Carlos Martin	Elizabeth Corley
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Members Who Remain (those whose terms expire in August 2017 are marked with a *):

Deborah Swackhamer	Andrew Dannenberg*	Monica Schoch-Spana*
James Galloway	Richard Feiock*	Michael Wichman
Joseph Rodericks*	Elena Irwin*	Lance Brooks
Leslie Rubin	Matthew Naud*	Katrina Waters*
Jeffrey Arnold*	Mike Steinhoff*	Chris Gennings
Elena Craft*	Deborah Reinhart*	Dale Johnson*
Charlette Geffen*	James Kelly	Rebecca Klaper*
Donna Kenski*	Scott Ahlstrom*	Kyle Kolaja
Patrick Kinney*	Bruce Aylward*	Jerzy Leszczynski*
Myron Mitchell*	Lawrence Baker*	Jennifer McPartland*
Constance Senior*	Inez Hua*	James Stevens*
Art Werner*	John Lowenthal*	Donna Vorhees
Jinhua Zhao*	Shane Snyder*	Clifford Weisel*
Louie Rivers*	Andrew DeGraca*	Mark Wiesner*
Todd BenDor*	Edward Hackney*	Paloma Beamer*
Robert Cervero*	Edwin Roehl*	

25. Which members of the BOSC Safe and Sustainable Water Resources Subcommittee have been terminated?

Of the nine members whose first three-year term expired and was not renewed, only one was a member of the Safe and Sustainable Water Resources Subcommittee. Dr. Shahid Chaudhry served as the Vice Chair of the SSWR subcommittee since 2014.

26. EPA is currently seeking nominations to replace the terminated BOSC members. According to EPA's website, you are currently seeking nominations for scientists with expertise in drinking water treatment, nutrient management, climate change, risk assessment, and other drinking water safety concerns. How will these expertise gaps affect your ability to seek advice from the BOSC until the positions are filled?

The nine BOSC members who were not renewed for a second term represent a wide spectrum of expertise and were members of multiple BOSC subcommittees, including the Safe and Sustainable Water Resources subcommittee. Due to the time required for new solicitation and vetting of applicants, the previously scheduled BOSC meetings through early fall have been postponed. Once the BOSC is reconstituted, with the appropriate expertise, the review of the EPA's research will begin as soon as possible. However, the EPA's research will continue in the interim.

27. Will the BOSC vacancies affect the timeline for revisions of the Lead and Copper Rule or any other rulemaking under the Safe Drinking Water Act?

Vacancies in the BOSC will not impact development of proposed revisions to the Lead and Copper Rule, nor will it impact other SDWA rulemaking activities because the BOSC has not been charged to review scientific products associated with current SDWA rulemakings.

28. What is your timeline for filling the BOSC vacancies?

The EPA anticipates that these vacancies will be filled by late 2017 or early 2018.

29. What opportunities for public participation will be provided in the selection of new BOSC members?

The EPA's outreach plan for developing a diverse pool of BOSC nominees includes an open solicitation of potential candidates, which is published in the Federal Register, as well as updates on the EPA's website (<https://www.epa.gov/bosc/invitation-nominations-bosc-executive-committee-and-subcommittees>). Further outreach is conducted through multiple professional associations and organizations to encourage nomination of a broad range of candidates.

Perfluorinated Compounds (PFCs)

30. Has EPA worked with the Department of Defense (DOD), Air Force, or Navy to respond to the emerging contamination of drinking water caused by PFCs on and around DOD installations?

31. Please explain any information sharing, technical assistance, or coordinated response that has occurred between EPA and DOD.

Yes. At both the Regional and Headquarters levels, the EPA is regularly engaged in discussions with DOD and its component services on perfluorinated compounds. For example, EPA Headquarters has ongoing quarterly meetings with each of the DOD components to discuss salient topics such as PFAS. Further, EPA Headquarters and Regions meet bi-annually with DOD components by inviting them to participate in the EPA's Federal Facility Leadership Council. FFLC meetings allow Regional managers to discuss site specific issues, such as PFAS investigations and responses, within a broader context with the National Program managers of both EPA and, through EPA's invitation, DOD. The EPA also briefed DOD along with other federal agency partners in spring 2016 regarding the EPA's final health advisories for PFOA and PFOS.

At National Priorities List (NPL) DOD sites, the EPA is actively engaged to help ensure a timely, protective response to perfluorinated compounds contamination of drinking water in both the Regions and Headquarters. Cleanup agreements between the EPA and Federal agencies at such NPL sites require the Federal agency to investigate and remediate hazardous substances, pollutants, and contaminants, and PFCs are pollutants and contaminants. When appropriate, the EPA has used enforcement authority to address PFOA/PFOS contamination. For instance, in 2014 and 2015, the EPA issued three Safe Drinking Water Act orders to two DOD components when the EPA determined that there may be an imminent and substantial endangerment. These orders require actions such as the provision of bottled water (where drinking water exceeded the lifetime health advisory), off-site residential well sampling, and the treatment of contamination at wells in order to protect public supply wells and restore the underlying aquifer. Such work is ongoing, and the DOD components are currently in compliance with the orders.

32. Has EPA encouraged states to notify firefighting departments, civilian airports, or other organizations that may have utilized or stored aqueous film forming foam about the risks of PFC contamination?

The EPA has not specifically encouraged states to notify firefighting departments, civilian airports, or other organizations that may have utilized or stored aqueous film-forming foam about the risks of PFC contamination, but the EPA has more generally advised the public of these risks through its ongoing work with state partners, on the EPA's website, and in other ways. Information on the EPA's actions regarding PFC contamination is available at <https://www.epa.gov/assessing-and-managing-chemicals-under-tsca/and-polyfluoroalkyl-substances-pfass-under-tsca>.

33. Has EPA considered supplying states or public water systems with a list of best available technologies to treat PFC drinking water contamination?

Yes. The EPA's 2016 health advisory for PFAS provided information on options available to drinking water systems to lower concentrations of PFOA and PFOS in their drinking water supply. Public water systems can treat source water with activated carbon or high pressure membrane systems (e.g., reverse osmosis) to remove PFOA and PFOS from drinking water. Treatment technology information is available in the Drinking Water Health Advisory documents at: <https://www.epa.gov/ground-water-and-drinking-water/supporting-documents-drinking-water-health-advisories-pfoa-and-pfos>.

34. Is EPA currently considering issuing a national drinking water standard on any perfluorinated compound?

The EPA included PFOA and PFOS on the fourth Contaminant Candidate List (CCL 4) and is evaluating these contaminants to determine if they meet the three SDWA regulatory determination criteria in Section 1412(b)(1)(A):

- (i) may have an adverse effect on the health of persons;
- (ii) is known to occur or there is a substantial likelihood that it will occur in public water systems with a frequency and at levels of public health concern;
- (iii) In the sole judgment of the Administrator, regulating the contaminant presents a meaningful opportunity for health risk reductions for persons served by public water systems.

The EPA plans to make determinations to regulate or not regulate at least 5 contaminants from the fourth Contaminant Candidate List by January 2021. The EPA expects to publish preliminary regulatory determinations for public comment in 2019.

WIIN Act Authorizations

In 2016, Congress authorized three new grant programs to promote safe drinking water in the Water Infrastructure Improvements for the Nation Act (Public Law No: 114-322)

- Lead service line replacement grant program authorized at \$60 million annually from FY17 to FY21;
- Assistance for small and disadvantaged communities grant program authorized at \$60 million annually from FY17 to FY21; and,
- Voluntary school and child care lead testing grant program authorized at \$20 million annually from FY17 to FY21.

35. Please provide an update on EPA's implementation of these three programs.

The omnibus spending bill enacted in May to fund the government through the end of September included water-related categorical grants, which support state and tribal programs, and maintain FY16 enacted levels. While Title II of WIIN authorizes several new grant programs (such as Sections 2104, 2105, and 2107), Congress has not appropriated funding for these programs. The EPA is preparing for implementation should appropriations be made available. In the meantime, the EPA continues to partner with states, drinking water utilities, and other stakeholders to implement and support drinking water programs.

36. The President's FY18 Budget Request did not include funding for these programs. Is EPA prepared to award grants in FY18, either through a reprogramming of existing funds or an appropriation from Congress?

The EPA is preparing for implementation should appropriations be made available. In the meantime, the EPA continues to partner with states, drinking water utilities, and other stakeholders to implement and support drinking water programs.

Chlorpyrifos

In April 2016, EPA published a revised chlorpyrifos drinking water assessment and found "potential exposure to chlorpyrifos or chlorpyrifos-oxon in finished drinking [water] based on currently labeled uses." Chlorpyrifos is a dangerous pesticide that causes serious neurodevelopmental harm in infants and children, including delayed mental development, attention problems, autism spectrum disorders, and intelligence decrements. EPA itself found these effects in a rigorous risk assessment vetted by the Science Advisory Panel. Despite these clear findings, EPA recently denied a petition to ban chlorpyrifos.

37. Given EPA's shocking decision to allow continued use of chlorpyrifos, what will be done to address and eliminate the risk of chlorpyrifos exposure from drinking water?

Following a review of comments on both the November 2015 proposed tolerance revocation and the November 2016 notice of data availability, which included updated human health and drinking water assessments, the EPA concluded that the science addressing neurodevelopmental effects remains unresolved and that further evaluation of the science during the remaining time for completion of registration review is warranted to achieve greater certainty regarding the risk of adverse neurodevelopmental effects at current levels of human exposures to chlorpyrifos.

Accordingly, on March 29, 2017, the EPA denied the citizen petition seeking revocation of chlorpyrifos tolerances, concluding that the appropriate course of action is to take steps to come to a clearer resolution on the potential risks of chlorpyrifos before completing the registration review or any associated tolerance action. Under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), the EPA must complete registration review by October 1, 2022.

Climate Change

On June 1, 2017, President Trump announced his intention to withdraw the United States from the Paris Climate Accord, imperiling our progress in the fight against climate change. This followed a May 25, 2017 briefing provided to the Energy and Commerce Committee on the President's FY 2018 budget, at which an EPA representative stated that climate change is "no longer a priority" for this administration, and that the agency's focus would be on issues impacting human health. But climate change has significant and undeniable impacts on human health, including on the safety of drinking water.

38. EPA's own website states that harmful algal blooms (HABs) might "occur more often, in more water bodies, and be more intense" because of climate change, and acknowledges that the unregulated microcystin toxins from the blooms "endanger human health." How will this change in priorities affect efforts by EPA to address the risks to drinking water safety and human health from the impacts of harmful algal blooms? How will the potential eventual withdrawal from the Paris Climate Accord impact the public health risks from harmful algal blooms?

Many sources of drinking water face risks for developing harmful algal blooms and cyanotoxin occurrence. In accordance with the Algal Toxin Risk Assessment and Management Strategic Plan for Drinking Water submitted to Congress in November 2015, the EPA will continue to work with our State and local partners to:

- Assess the frequency and level of cyanotoxin occurrence in public water systems nationwide under the unregulated contaminant monitoring rule;
- Improve understanding of the human health effects of current and emerging cyanotoxins;
- Provide technical assistance to water systems to manage HABs, monitor and treat cyanotoxins in drinking water;
- Support efforts for source water protection and nutrient reduction strategies at the watershed scale; and
- Improve scientific understanding of HABs and cyanotoxin production to better predict their occurrence.

The EPA has developed a number of tools that public water systems can use to reduce the risks of cyanotoxins occurring in finished drinking water. These tools are available on the EPA's website at <https://www.epa.gov/ground-water-and-drinking-water/cyanotoxin-tools-public-water-systems>.

39. Climate change also threatens the availability and reliability of drinking water sources, through more frequent droughts, floods, and extreme weather events. How will EPA's change in priorities affect efforts to protect and adapt our drinking water infrastructure to droughts, floods, and extreme weather events? How will the potential eventual withdrawal from the Paris Climate Accord impact the public health risks from droughts, floods, and extreme weather events?

The EPA has an important mission through its homeland security responsibilities as the Sector Specific Agency for Water to facilitate the protection of the nation's critical water infrastructure from all hazards, including droughts and other severe weather events. The EPA will continue to enhance the resilience of water systems through an extensive array of programmatic tools, such as WIFIA, which will make financing available to drinking water systems for infrastructure improvements, for example, to address drought prevention, reduction, or mitigation projects.

40. Climate change also threatens drinking water sources through sea level rise and saltwater intrusion into aquifers. How will EPA's change in priorities and the potential eventual withdrawal from the Paris Climate Accord affect the public health risk from the effects of sea level rise and saltwater intrusion on drinking water?

The EPA has an important mission through its homeland security responsibilities as the Sector Specific Agency for Water to facilitate the protection of the nation's critical water infrastructure from all hazards, including saltwater intrusion into aquifers. The EPA will continue to enhance the resilience of water systems through an extensive array of programmatic tools, such as WIFIA, which will make financing available to drinking water systems for infrastructure improvements, for example, to address brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects.

41. Climate change also threatens the safety of drinking water because higher temperatures can lead to greater leaching of lead from pipes and plumbing fixtures; proliferation of viruses and bacteria in our drinking water distribution systems; and increases in concentrations of pollutants such as ammonia. How will EPA's change in priorities and the potential eventual withdrawal from the Paris Climate Accord affect the public health risk from rising temperatures?

The EPA has promulgated a number of national primary drinking water regulations to address contaminants, such as lead and pathogens. The agency will continue to work with states to implement

requirements for all drinking water regulations to ensure that water systems install, operate, and maintain appropriate levels of treatment and effectively manage their distribution systems.

42. A May 17, 2017 memorandum from EPA acting CFO David Bloom notes an adjustment “in the Climate Protection Program reflecting reduced activity” but does not specify a dollar amount. What is the dollar amount associated with this budget reduction and how will this reduction impact implementation of climate programs?

The May 17, 2017, memorandum represents an internal EPA planning document for developing an operating plan after enactment of the Consolidated Appropriations Act, 2017. There was a minimal adjustment to that account that is within the agency's reprogramming limitations. The agency submitted its FY 2017 Enacted Operating Plan to Congress on June 5.

43. The President's proposed FY 2018 budget cuts EPA's budget by nearly \$2.6 billion - an overall 31 percent reduction- and includes extreme cuts to key public health and environmental programs, such as grants and programs for state and tribal air quality, diesel emission reductions, and lead safety. What analysis, if any, has the agency conducted to assess the impact of these reductions on human health? What did the analysis conclude?

The agency's FY 2018 budget lays out a comprehensive back-to-basics and foundational strategy to maintain core environmental protection with respect to statutory and regulatory obligations. The agency's FY 2018 Budget in Brief and associated Congressional Justification describe the budget and the EPA's programs in greater detail. The Congressional Justification includes provisional FY 2018 performance measures that provide more detail on the specific activities the EPA would undertake in FY 2018 to protect human health and the environment.

On the EPA website entitled "Addressing Climate Change in the Water Sector," several links that have previously provided valuable information to affected communities are now described as "being updated". Examples include "Explore Your Climate Region", "Climate Impacts on Water Resources", "Climate Impacts on Coastal Areas", and "Climate Impacts on Ecosystems", and all links under the heading "Learn about Climate Change."

44. When will these webpage updates be completed, and what process is the EPA using to ensure that any changes to their content reflects the best available science on climate change and its impact on water resources?

With respect to the water program, the EPA continues to offer the water sector and other interested stakeholders the best-available science describing how extreme weather events could affect the sector, as well as extensive information pertaining to how the sector can adopt countermeasures to reduce the risk of these impacts. Webpages are routinely updated with new information to ensure that the sector can use the best available information to adopt countermeasures to reduce the risk of these impacts.

The Honorable Paul D. Tonko

1. What steps are being taken to ensure the highest level of adherence to EPA's Scientific Integrity policy?

Science is the backbone of the EPA's rulemaking process. The agency's ability to pursue its mission to protect human health and the environment depends upon the integrity of the science on which it relies.

Scientific integrity is the adherence to professional values and practices when conducting, communicating, supervising, influencing and utilizing the results of scientific research. It ensures objectivity, clarity, reproducibility, and utility, while protecting against bias, fabrication, falsification, plagiarism, outside interference, and censorship. The EPA Scientific Integrity Policy is a roadmap to ensuring high standards of scientific integrity at the EPA. The policy details the components of a culture of scientific integrity, and provides a framework for agency-wide compliance. The Policy applies to all EPA employees including scientists, managers, and political appointees, as well as contractors, grantees, collaborators, and student volunteers.

The Scientific Integrity Policy also established the agency's Scientific Integrity Committee to provide oversight for its implementation. The Committee, led by the Scientific Integrity Official, encourages consistent Policy implementation, with members acting as liaisons for their offices and Regions and addressing questions and concerns regarding the Policy.

The EPA has developed a series of trainings to ensure that its employees are aware of their responsibilities under the Policy. For example, in fiscal year 2016, the EPA deployed a training program focused on increasing the awareness and understanding of the Policy and demonstrating how scientific integrity enhances the agency's work. The training was intended for employees who spend at least 25% of their time conducting, utilizing, communicating or supervising science and reached almost 6,000 EPA employees.

The EPA also is developing guidance materials to encourage a culture of scientific integrity at the agency. For example, EPA published "Best Practices for Designating Authorship" in 2016 to provide information for EPA employees, contractors, and grantees on who should be included as an author in any scientific product. Authorship is an important part of scientific integrity, as it provides transparency into the origins of a scientific product. Without knowing who was involved in the product, it is difficult to validate the merit of the work.

a) How are new EPA employees, including political appointees, being educated on these policies? Are they being made aware of what would constitute a violation?

Since January 2017, all new EPA employees have been required to take online scientific integrity training. The training consists of a video showing the Scientific Integrity Official conducting a training session featuring an introductory whiteboard video and discussion, followed by a short quiz. The training also includes information about what would constitute a violation of the Policy. The training helps new employees establish a personal commitment to scientific integrity, which contributes to the overall culture of scientific integrity at the EPA.

The EPA also holds an annual "Employee Conversation with the Scientific Integrity Official." This conversation serves as the annual update regarding scientific integrity at the EPA for all employees. The

Scientific Integrity Official uses this opportunity to highlight the importance of scientific integrity, to discuss new initiatives, and to answer any questions.

Throughout the year, the Scientific Integrity Official provides outreach on scientific integrity, including presentations at EPA program offices, regional offices, and laboratories; development of outreach materials to distribute across the agency; participation in conferences and other events; and hosting stakeholder meetings. The EPA also publishes an Annual Report on Scientific Integrity.

b) Has EPA's scientific integrity official met with or requested a meeting with Administrator Pruitt to discuss EPA's Scientific Integrity policy and related procedures? If yes, when?

Yes, the EPA's Scientific Integrity Official requested a meeting with Administrator Pruitt and his advisors to provide a briefing on the Scientific Integrity Policy and related procedures. A meeting regarding the Scientific Integrity Policy and procedures occurred in May with the Administrator's Chief of Staff, the Acting Deputy Administrator, and the Director of the Office of the Science Advisor.

c) What is the role of EPA's advisory committees for ensuring integrity of science at the agency?

The EPA Scientific Integrity Policy provides a framework intended to ensure scientific integrity throughout the EPA and promote scientific and ethical standards, including the use of peer review and advisory committees.

The Scientific Integrity Policy states that:

Federal Advisory Committees are an important tool within the EPA for ensuring the credibility and quality of Agency science, enhancing the transparency of the peer review process, and providing for input from the EPA's diverse customers, partners, and stakeholders. In almost all cases, FACs meet and deliberate in public and materials prepared by or for the FAC are available to the public. Consistent with the requirements of the Federal Advisory Committee Act (5 USC Appendix 2), implementing regulations from the General Services Administration (41 CFR Part 102-3), and guidance that lobbyists not serve on FACs, the EPA's scientific or technical FACs are expected to adhere to the following procedures:

- *Transparent recruitment of new FAC members should be conducted through broad-based vacancy announcements, including publication in the Federal Register, with an invitation for the public to recommend individuals for consideration and submit self-nominations.*
- *Professional biographical information (including current and past professional affiliations) for appointed committee members should be made widely available to the public (e.g., via a website). Such information should clearly illustrate an individual's qualifications for serving on the committee.*
- *The selection of members to serve on a scientific or technical FAC should be based on expertise, knowledge, contribution to the relevant subject area, balance of the scientific or technical points of view represented by the members, and the consideration of conflicts of interest. Members of scientific and technical FACs should be appointed as special government employees. The Agency is to make all Conflict of Interest Waivers granted to committee members publicly available (e.g., via a website).*
- *All reports, recommendations, and products developed by FACs are to be treated as solely the findings of such committees rather than of the EPA, and thus are not subject to Agency revision.*

[...]

The Agency adheres to the current standards governing conflict of interest as defined in statutes and implementing regulations. The Office of General Counsel's Ethics Office develops standard procedures and ethics training for Special Government Employees (SGEs) who serve on scientific FACs. These procedures include the submission and review of Confidential Financial Disclosure Forms for SGEs serving on advisory committees, EPA Ethics Advisory 08-02: "Ethics Obligations for Special Government Employees", and completion of an online and/or in-person Office of Government Ethics course. Some FACs at the EPA are staffed with representative members. These committee members represent the point of view of a group or organization and are not subject to the conflict of interest requirements referenced above.

2. Is EPA seeing any signs that the recent dismissal of nine members of the Board of Scientific Counselors will have a larger effect on the membership of other advisory boards?

No, we have not seen any signs that the non-renewal of members whose terms expired will have an effect on the membership of other advisory boards.

a. How many resignations have there been related to these dismissals?

Three.

b. Have any Board members expressed concerns to EPA over the handling of these dismissals? If yes, what are the details of these concerns?

BOSC members, particularly those who resigned in response to the non-renewals, have expressed some concerns to the EPA and the press about the non-renewal of these nine BOSC members. Many of the concerns were related to the timing and perceived reasons behind the decision.

c. What processes are in place to ensure that any new Board members are in compliance with all applicable ethics regulations and free of any conflicts of interest or appearances of being unable to provide impartial advice?

All BOSC members are appointed as Special Government Employees (SGE) as defined by 18 U.S.C. § 202. As such, they are subject to federal conflict of interest statutes codified in Title 18 of the United States Code as well as the Standards of Ethical Conduct for Employees of the Executive Branch at 5 C.F.R. Part 2635. Under these federal ethics laws and regulations, they are prohibited from carrying out their duties if they have a financial conflict of interest or an appearance of a loss of impartiality. In addition, the BOSC members must comply with financial disclosure reporting requirements and annual training requirements.

As noted in the Federal Register Notice, the EPA's evaluation of an absence of financial conflicts of interest will include a review of the "Confidential Financial Disclosure Form for Special Government Employees Serving on Federal Advisory Committees at the U.S. Environmental Protection Agency" (EPA Form 3110-48). This confidential form allows government ethics officials, who are trained career employees, to determine whether a prospective or actual BOSC member has a statutory conflict between that person's public responsibilities (which includes membership on an EPA Federal Advisory Committee) and private interests and activities, or an appearance of a loss of impartiality, as defined by

Federal regulation. BOSC nominees will be evaluated based on the same criteria as nominees under the previous administration.

d. It is my understanding that there are 7 members of the EPA Science Advisory Board whose first terms are ending on September 30, 2017. Will these members be renewed?

At this time, EPA leadership has not decided whether or not these members will be renewed.

3. How does EPA define conflict of interest?

As an executive branch agency, the EPA's employees are subject to 18 U.S.C. § 208, the financial conflict of interest statute. Under this statute, employees are prohibited from participating personally and substantially in an official capacity in any particular matter that will have a direct and substantial affect upon his own interests or anyone imputed to him. The implementing regulations for this statute are found at 5 C.F.R. Part 2635, Subpart D and Part 2640. The definition for a disqualifying financial interest is found at 5 C.F.R. § 2635.402, "disqualifying financial interest."

a. Who is responsible for determining whether EPA political appointees, including the Administrator, have conflicts of interest on certain issues?

For Presidentially Appointed Senate confirmed (PAS) positions, including the Administrator, the Office of Government Ethics approves the ethics agreement prepared by the EPA for each nominee prior to the confirmation process. Those agreements set forth the steps that the PAS appointee will take to comply with federal ethics laws and regulations, including conflicts of interest, if confirmed. The Designated Agency Ethics Official (DAEO) and Alternate Designated Agency Ethics Official (ADAEO) are responsible for overseeing the EPA's ethics program and interpreting federal ethics laws and regulations for all EPA employees. Both of these positions are located in the Office of General Counsel.

b. How will EPA ensure that key technical positions at the agency are filled with qualified scientists free from conflicts of interest?

All EPA employees are subject to the Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. Part 2635, and the federal conflicts of interest statutes codified at Title 18 of the United States Code. In addition, political appointees are subject to Executive Order 13770 and the Trump ethics pledge that they must sign. The EPA's Office of General Counsel assists employees in understanding their ethics obligations, including financial conflicts of interest.

4. What role does independent science have in informing EPA decisions to protect public health and the environment?

Environmental policies, decisions, and emergency response must be grounded, at a most fundamental level, in high-quality, objective, transparent science. This includes science conducted by the EPA, other federal agencies, industry, academia, and others.

5. What kinds of communications were involved between the White House, industry organizations, and EPA regarding chlorpyrifos?

The EPA's Office of Pesticide Programs engages with all interested stakeholders throughout its review processes and honors pertinent meeting requests from its stakeholders. There have been a number of public comment periods on aspects of the chlorpyrifos review where the public and stakeholders are able to review the agency's documents and submit their comments for consideration in our decision-making process. Comments in response to recent requests for public comment regarding chlorpyrifos have been submitted by members of the public, federal regulatory partners, non-governmental organizations, university faculty, as well as industry.

The EPA has kept its federal regulatory partners apprised of the status of chlorpyrifos with in-person meetings and phone calls, including the Department of Agriculture and the Food and Drug Administration. The agency has responded in-kind to similar requests from technical registrants, stakeholder associations, and non-governmental organizations.

a. Were scientists from the Office of Chemical Safety and Pollution Prevention, or other relevant EPA offices, consulted before Administrator Pruitt decided not to ban chlorpyrifos?

Senior agency leadership received briefings on chlorpyrifos from OCSPP scientists and senior management and also received input from other relevant EPA offices before issuing the March 29, 2017, Order denying the citizen petition regarding chlorpyrifos.

6. What steps has EPA taken to implement President Trump's Executive Order on Reducing Regulation and Controlling Regulatory Costs?

Consistent with Executive Orders 13771 (Reducing Regulation and Controlling Regulatory Costs) and 13777 (Enforcing the Regulatory Reform Agenda), the EPA has been taking a hard look at EPA regulations and the EPA's Regulatory Reform Task Force's evaluation will help identify regulations that may be appropriate for repeal, replacement, or modification. The EPA has also initiated the delay or reconsideration of multiple regulations finalized by the previous administration that may further EO 13771 implementation. As a note, the Administrative Procedure Act and other applicable laws apply to any repeal, replacement, or modification of any existing regulation that the EPA undertakes.

a. How is EPA choosing which two regulations to repeal for every new regulation promulgated?

The EPA is still developing our internal process to fully implement EO 13771.

7. Please provide an average annual cost estimate for EPA to run its Energy Star program.

From FY 2007 through FY 2016, the average annual budget for the EPA to implement the ENERGY STAR program has been \$48 million, which includes both staffing and contracting costs.

a. Since 1992, how much have consumers saved in their utility bills due to Energy Star products?

Since 1992, the ENERGY STAR program, together with its partners which currently number more than 16,000, have delivered net energy bill savings exceeding \$400 billion. More than \$200 billion of these

net energy bill savings resulted from ENERGY STAR-certified products and homes. The rest of the savings were delivered by the ENERGY STAR Commercial Buildings and Industrial Programs.

b. Since 1992, how many tons of greenhouse gas emissions have been reduced due to Energy Star products?

Since 1992, the ENERGY STAR Program has helped achieve broad emission reductions, including over 2.5 billion metric tons of greenhouse gas emissions. More than 1 billion metric tons of these reductions resulted from ENERGY STAR-certified products and homes. The rest of the reductions were delivered by the ENERGY STAR Commercial Buildings and Industrial Programs.

The Honorable Tony Cárdenas

1. How will the sudden removal of members of the Board of Scientific Counselors affect the research into lead in drinking water and other such research used to develop national standards to ensure our public health?

The Board of Scientific Counselors (BOSC) provides the EPA with access to independent advice from non-EPA experts who are nationally renowned in their disciplines, and it does so in a transparent manner with opportunities for public input through advance review of meeting agendas, meeting documents, and charge questions. These experts provide advice, information, and recommendations to the EPA on their science and research to ensure it provides the strong, scientific foundation that informs the agency's work to protect human health and the environment. Once the vacancies on the BOSC committees are filled with scientists who have the appropriate expertise, the review of the EPA's research will resume. However, the EPA's research will continue in the interim.

2. How will the Administration's budget cuts and staffing shortages affect the EPA's ability to carry out its duties required by statute, such as its programs to ensure safe drinking water?

The agency's FY 2018 budget lays out a comprehensive back-to-basics and foundational strategy to maintain core environmental protection with respect to statutory and regulatory obligations. This budget provides the direction and resources to return the EPA to its core mission of protecting human health and the environment. This can be accomplished by engaging with state, local, and tribal partners to create and implement sensible regulations that also work to enhance economic growth.

3. How will the budget cuts and staffing shortages affect the oversight and testing of water systems?

The EPA will continue to partner with states, drinking water utilities, and other stakeholders to identify and address current and potential sources of drinking water contamination.

4. How will budget cuts affect the Drinking Water State Revolving Fund?

The EPA's budget supports the President's focus on the nation's infrastructure. The infrastructure needs of our communities include making improvements to drinking water systems, as well as cleaning up contaminated land.

A priority for the agency is modernizing the outdated water infrastructure on which the American public depends. While most small systems consistently provide safe and reliable drinking water, many small systems face challenges with aging infrastructure, increasing costs and decreasing rates bases. Funding levels in the FY 2018 budget support the President's commitment to infrastructure repair and replacement and would allow states, municipalities, and private entities to finance high-priority infrastructure investments. The FY 2018 budget includes \$863 million for the Drinking Water State Revolving Fund and \$20 million for the Water Infrastructure Finance and Innovation Act (WIFIA) program.



May 18, 2017

Via E-mail

The Honorable John Shimkus
Chairman, Environment Subcommittee
Energy and Commerce Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Paul Tonko
Ranking Member, Environment Subcommittee
Energy and Commerce Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Shimkus and Ranking Member Tonko,

On behalf of the members of the United Steelworkers (USW), we applaud the Environment Subcommittee for the hearing during infrastructure week on water infrastructure. Our union is very committed to the repair, rehabilitation, and rebuilding of America's water infrastructure, especially those authorized by the Safe Drinking Water Act. We are grateful for the opportunity to submit these remarks for the hearing record, and we look forward to working with the committee to achieve a legislative solution that results in a well-funded and stable reauthorization of these programs, as well as maximizes their ability to provide not only desperately-needed infrastructure improvements, but thousands of good jobs as well.

The Steelworkers union has a unique interaction with drinking water funding as our union members are involved in all aspects of our country's drinking water infrastructure. With over 50,000 members in the iron and steel industry, our members forge and manufacture the pipes, fittings, and other

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union
Legislative Department, 1155 Connecticut Ave., Suite 500, N.W., Washington, D.C. 20036 • 202-778-4384 • 202-419-1486
(Fax)

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USW-CAN-1001
2017

materials used in many communities to transport and deliver water to Americans. USW also has a large and growing public sector, which includes close to 2,000 members who conduct work related to municipal water and wastewater treatment plants.

USW members are employed by numerous manufacturers related to water infrastructure including McWane Ductile, Mueller Water Products and Ligon Industries, to name a few. The domestic manufacturing base related to water infrastructure has the opportunity to expand. Congress must address the critical maintenance needs in drinking water infrastructure in a manner that maximizes job creating potential.

The United States uses 42 billion gallons of water a day to support daily life from cooking and bathing in homes to use in factories and offices across the country. Drinking water is delivered via one million miles of pipes across the country. Every day, nearly six billion gallons of treated drinking water are lost due to leaking pipes, with an estimated 240,000 water main breaks occurring each year.

The deferred maintenance in our country's water infrastructure creates substantial waste and inefficiencies. It is estimated that leaky, aging pipes are wasting 14 to 18% of each day's treated water; the amount of clean drinking water lost every day could support 15 million households.¹ A Chicago State University study showed that by reducing the amount of water leaked annually in the U.S. by only 5 percent would result in saving enough energy to power 31,000 homes for a year and cut 225,000 metric tons of carbon dioxide emissions.² Upgrading and repairing our nation's infrastructure has the potential to create hundreds of thousands of jobs. The American Society of Civil Engineers currently grades our drinking water infrastructure at a "D" level in their most recent report card.³ Raising our drinking and clean water systems to a "B" grade over the next 10 years could support or create an estimated 144,000 jobs across the U.S. economy.⁴ However it is critical for Congress to implement policies which maximize the job creation potential of increasing domestic investment in drinking water infrastructure.

¹ <https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Drinking-Water-Final.pdf>

² https://www.bluegreenalliance.org/wp-content/uploads/2016/08/102414-Making-the-Grade_vFINAL.pdf

³ <https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Drinking-Water-Final.pdf>

⁴ https://www.bluegreenalliance.org/wp-content/uploads/2016/08/102414-Making-the-Grade_vFINAL.pdf

USW has long advocated for domestic preferences such as “Buy America” policies to ensure tax payer dollars create American jobs. In particular, USW strongly supports the American Iron and Steel Buy America preference which has been applied to the Drinking Water State Revolving Fund since 2014. This policy has been a huge success in driving job and production growth in the waterworks manufacturing sector. For example, our employers report operating capacity at plants rising from around 25 percent to closer to 70 percent after the inclusion of Buy America requirements in water infrastructure. That is the difference between one shift of work and three shifts at a mill. This additional capacity also lowers the overall cost of producing pipe as plants run more efficiently. Our members are economically more secure and are more competitively manufacturing the products necessary to fulfill the needs of America’s water infrastructure.

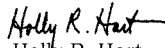
The AIS preference for the Drinking Water SRF has been annually renewed via the appropriations process, including in the just-passed FY2017 omnibus appropriations measure. By contrast, the companion program to the Drinking Water SRF, the Clean Water State Revolving Fund, has a permanent statutory application of the AIS preference, which was added in the Clean Water Act Amendments in the 2014 Water Resources Reform and Development Act. USW urges this subcommittee, as well as the full Energy and Commerce Committee, to take a similar path and include a permanent statutory application of the AIS preference for the Drinking Water SRF in any reauthorization or amendment of the Safe Drinking Water Act.

We are pleased to see that the LIFT America Act, introduced earlier this week and cosponsored by several members of the subcommittee, includes the permanent statutory application of AIS in its water title, as it did in the AQUA Act from the previous Congress. We are also pleased that the level of authorized funding for the Drinking Water SRF (\$22.56 billion over 5 years) is the sort of serious investment to address a serious problem that we need. As the subcommittee considers this discussion draft and the LIFT America Act, we hope that the final package includes both adequate funding and permanent statutory application of AIS for the Drinking Water SRF. Done right, we can repair and rehabilitate America’s water infrastructure and create thousands of good manufacturing jobs at the same time.

Our nation’s water infrastructure is in dire need of repair to prevent leakage and protect the safety of the American public. We urge Congress to ensure that legislation to address these problems also creates and maintain

good jobs for American workers. We look forward to continuing to work with the committee on this issue in the future.

Sincerely,



Holly R. Hart
Assistant to the President
Legislative Director

United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union
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COMMITTEE ON
ENERGY AND COMMERCE
SUBCOMMITTEES:
DIGITAL COMMERCE AND CONSUMER PROTECTION
ENVIRONMENT
HEALTH
CAUCUS LEADERSHIP REPRESENTATIVE



Tony Cárdenas
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May 19, 2017

Chairman John Shimkus
Committee on Energy and Commerce
Subcommittee on the Environment
2125 Rayburn House Office Building
Washington, D.C. 20515

Ranking Member Paul Tonko
Committee on Energy and Commerce
Subcommittee on the Environment
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Shimkus and Ranking Member Tonko:

Thank you for holding a hearing on clean water, an issue that touches the lives of all Americans. This is an issue which we can all agree is of great importance. Moving forward, we should work together to draft and improve legislation that addresses the public health need to supply clean drinking water. We also need to boost water infrastructure projects to dismantle structures that feed toxins into our drinking supply and replace them with sustainable, modern infrastructure.

I would like to highlight that while clean water is essential for the health of all Americans, it is crucial for our most vulnerable—our children. As we know from the Flint disaster, we continue to see unsafe levels of lead in drinking water. According to a recent report in Reuters, in Los Angeles, more than 17 percent of small children tested had elevated levels of lead in their blood, far exceeding the 5 percent rate of children tested in Flint, Michigan. Lead poisoning can produce serious health and behavioral issues, particularly in young children. No family should fear that their children are ingesting elevated levels of lead, only one of various contaminants that federal, state and local agencies, as well as the water industry have to contend with. We need thoughtful legislation that ensures that states have the ability to safely and effectively manage their water supply. The issue is one of resources—more and more states are unable to compensate for the federal funding gap.

While we work on legislation to improve our water supply, I have grave concerns about the future of the Environmental Protection Agency and the current safeguards it is charged with establishing, overseeing, and enforcing.

My questions are directed at the EPA:

1. How will the sudden removal of members of the Board of Scientific Counselors affect the research into lead in drinking water and other such research used to develop national standards to ensure our public health?
2. How will the Administration's budget cuts and staffing shortages affect the EPA's ability to carry out its duties required by statute, such as its programs to ensure safe drinking water?
3. How will the budget cuts and staffing shortages affect the oversight and testing of water systems?
4. How will budget cuts affect the Drinking Water State Revolving Fund?

I look forward to hearing the EPA's answers to these questions and hope that Administrator Pruitt will fully meet EPA's statutory responsibilities to the American people.

To my colleagues, I hope that we can sit at the table together and work on bipartisan legislation so we can ensure clean drinking water for every American family.

Sincerely,

A handwritten signature in dark ink that reads "Tony Cardenas". The signature is written in a cursive, flowing style.

TONY CÁRDENAS
Member of Congress

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

ONE HUNDRED FIFTEENTH CONGRESS
Congress of the United States
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Majority (202) 225-2927
Minority (202) 225-3641

June 9, 2017

Mr. Martin Kropelnicki
President and CEO
California Water Service Group
1720 North First Street
San Jose, CA 95112-4598

Dear Mr. Kropelnicki:

Thank you for appearing before the Subcommittee on Environment on Friday, May 19, 2017, to testify at the hearing entitled "H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, June 23, 2017. Your responses should be mailed to Elena Brennan, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Elena.Brennan@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus
Chairman
Subcommittee on Environment

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

Attachment


CALIFORNIA WATER SERVICE

1720 North First Street
San Jose, CA 95112-4598 Tel: (408) 367-8200

June 16, 2017

The Honorable John Shimkus
Chair, Subcommittee on Environment

The Honorable Paul Tonko
Ranking Member, Subcommittee on Environment

c/o Elena Brennan
Legislative Clerk, Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Re: Questions for the Record following Hearing on Nation's Drinking Water Infrastructure

Dear Chair Shimkus and Ranking Member Tonko:

Thank you for inviting me and the National Association of Water Companies (NAWC) to testify before the Subcommittee on Environment during its May 19, 2017 hearing on H.R. ____, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance Under the Safe Drinking Water Act.

Again, I commend you and the Subcommittee for highlighting the challenges facing the country's drinking water systems and the solutions that will help ensure all Americans have safe, reliable, and high-quality water utility service for generations to come. California Water Service (Cal Water) and NAWC's other member companies stand ready, able, and willing to work with all levels of government to help overcome these challenges.

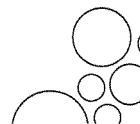
Enclosed you will find NAWC's responses to the additional questions for the record you submitted. If you have any questions, please do not hesitate to reach out to me. We look forward to continuing to work with the Subcommittee and Congress on the critical issues associated with the nation's water infrastructure.

Sincerely,

Martin A. Kropelnicki
President & CEO

Enclosure

Quality. Service. Value.
calwater.com





**Answers to Questions for the Record Following a Hearing Entitled
 “H.R. __, Drinking Water System Improvement Act and Related Issues of Funding,
 Management, and Compliance Assistance under the Safe Drinking Water Act”
 Conducted by the Subcommittee on Environment, House Energy and Commerce Committee**

On May 19, 2017, the Subcommittee on Environment of the House Committee on Energy and Commerce convened a hearing entitled “H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act,” at which Martin A. Kropelnicki, President & CEO of California Water Service Group and President of the National Association of Water Companies (NAWC), testified on behalf of NAWC about the ways the private water sector can help address the nation’s drinking water infrastructure challenges. Chairman Shimkus submitted further questions for the record, and this document provides NAWC’s responses.

The Honorable John Shimkus, Chairman, Subcommittee on Environment

Question: Many of the groups on this panel were part of EPA’s report on Effective Utility Management. Do you have specific recommendations on what Congress should do, if anything, with that report?

Congress can take several steps that will help further the implementation of Effective Utility Management (EUM) and, at the same time, help address the significant drinking water infrastructure challenges the country is facing. First, as a general rule, applicants for public funding of drinking water projects should demonstrate that they have fully accounted for the long-term costs of their projects, including any risks inherent in construction, operations, and/or maintenance, and have selected the delivery model that provides the best long-term value to the water supplier’s customers. For a community to maintain and improve the condition of its infrastructure, and to ensure its long-term safety and reliability, water utilities should be expected, at a minimum, to manage their assets based on a process where adequate repair, rehabilitation, and replacement are fully reflected in management decisions and fully accounted for in water rates. Failing water systems should not be subsidized without

an expectation of financial and operational viability and a process to ensure that federal funds are targeted in a way to ensure they are being used efficiently and cost-effectively.

Second, especially in situations where water suppliers are unable or unwilling to operate their systems in accordance with the principles of EUM, Congress could take steps to further prioritize and incentivize partnerships between failing water systems and owners or operators that have a strong track record of providing safe, reliable, and high-quality service to their customers. For example, Congress should establish a more robust legal “safe harbor” for water suppliers that assume the responsibility of owning and/or operating failing and noncompliant water systems. Oftentimes, the legal and financial liabilities of distressed systems, which can range from the hundreds of thousands to millions of dollars, serve as a “poison pill” to prospective operators or owners. A more robust legal “safe harbor” would prevent new operators or owners from being held liable for the previous misdeeds of others and, in the process, open the doors to significant amounts of capital being invested into the nation’s drinking water infrastructure.

Finally, in order to increase the level of private investment in our drinking water systems, Congress should explore the possibility of creating a tax-based incentive for private water companies that enter into consolidation or partnership arrangements with noncompliant systems. In those cases where the noncompliant system is publicly owned, the federal government is already not receiving any income tax revenue from the water system. It may make sense to extend that income tax benefit to a private water company that assumes responsibility for the noncompliant system, either for a certain number of years or until the failing system is brought into compliance. In the short-term, such an incentive would be revenue neutral, and over the medium- and long-term, it would be a revenue enhancer. In addition to creating an incentive for more partnerships and consolidations, this approach would help to address some short-term affordability questions and free up additional capital to be invested into the water systems.

In summary, what is needed to address the nation’s drinking water infrastructure challenges is a willingness to explore innovative solutions such as partnerships and incentivized consolidation. While many communities continue to clamor for more federal funding, more funding is not going to solve this

growing crisis. In many cases, water system failures – be they related to water quality, reliability, or both – are not solely due to the absence of funding, but rather are directly attributable to the failure of proper governance, poor decision-making, and lack of stringent oversight.

Question: If Congress should do nothing, what should utilities do to facilitate action?

One of the most important steps any utility can take to help ensure that it is able to provide its customers with safe, reliable, and high-quality service is to manage its assets in such a way that adequate repair, rehabilitation, and replacement are fully reflected in management decisions, including water pricing. In 2003, the EPA established its Four Pillars of Sustainable Infrastructure, one of which was full-cost pricing. Nearly a decade and a half later, thousands – if not tens of thousands – of water utilities across the country have water utility rates that do not reflect the actual cost of operating, maintaining, and upgrading their systems.

Quite simply, full-cost pricing of water utility service is the single most important element of any strategy to improve the nation's drinking water infrastructure and compliance with the country's water quality standards. Full-cost pricing helps to ensure the financial viability of water suppliers, which then enables the supplier to undertake needed maintenance of and upgrades to its facilities, both of which play a critical role in the supplier's ability to provide safe and high-quality water to its customers.

This transition to full-cost pricing should, however, be accompanied by adequate financial support to assist economically distressed communities and low-income households. In this regard, Congress may wish to consider providing relief directly to fixed- and low-income customers. Currently, federal funds flow directly to water utilities, which enable them to charge lower rates to all of their customers, including those who are not facing any type of economic hardship. A more efficient approach may be to transfer funds directly to challenged and low-income customers, similar to the Low Income Home Energy Assistance Program for gas and electric customers.

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

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Majority (202) 225-2927
Minority (202) 225-3641

June 9, 2017

Mr. Scott Potter
Director
Nashville Metro Water Services
1700 Third Avenue North
Nashville, TN 37208

Dear Mr. Potter:

Thank you for appearing before the Subcommittee on Environment on Friday, May 19, 2017, to testify at the hearing entitled "H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus
Chairman
Subcommittee on Environment

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

Attachment

Response to Questions Submitted to:

Scott Potter

Director

Nashville Metro Water Services

Testifying on the behalf of Association of Metropolitan Water Agencies (AMWA)

Regarding

**Hearing on “H.R. __, Drinking Water System Improvement Act and Related Issues
of Funding, Management, and Compliance Assistance under the Safe Drinking
Water Act.”**

May 19, 2017

The Honorable John Shimkus

- 1. Safe Drinking Water Act Section 1433 calls on community water systems to conduct vulnerability assessments of their systems to terrorist attack or other intentional acts designed to disrupt the ability of the water system to provide a safe and reliable supply of drinking water.**

- a. How recently has your utility reviewed and updated your vulnerability assessment?**

At Nashville Metro Water Services, we began a process to review and update our vulnerability assessment beginning in December 2016. We just completed this process in May 2017. This assessment included an all hazards analysis, meaning that we reviewed the system’s vulnerability to not only terrorists or other intentional acts, but also natural disasters such as flooding. We plan to continue to periodically update the vulnerability assessment in the future as circumstances warrant, such as when we encounter a new operating environment or when we become aware of a new type of threat.

Nashville Metro Water Services also maintains an up-to-date emergency response plan, which outlines plans and procedures for responding to threats identified in our vulnerability assessment. The utility reviews and updates its emergency response plan annually.

- b. Is your utility unique among your peers in reviewing your vulnerability assessment without a government mandate to do so?**

No, Nashville Metro Water Services is not unique in this respect. In fact, based on discussions I have had with managers of other large utilities that are members of professional organizations such as AMWA and the

American Water Works Association (AWWA), it is a common practice for these drinking water systems to update their vulnerability assessments and emergency response plans without being mandated to do so.

Because large water systems have made it a practice to keep their vulnerability assessments and emergency response plans up-to-date, Congress must keep these systems in mind in the event that it considers legislation to require these documents to be updated by a certain date. For example, any new law that mandates an update of vulnerability assessments or emergency response plans should include a “grandfather clause” that exempts utilities from having to immediately redo these assessments again if they certify that they had already reviewed and updated the documents within the previous two years.

2. **I appreciate the forthrightness of your testimony when it comes to suggesting a guideline for what your organization believes is the correct number to fund the Drinking Water State Revolving Loan Fund. Does it matter to you whether the number is flat each fiscal year – meaning it would be the same each year – or having it steadily increase every year?**

EPA’s Drinking Water Needs Surveys, completed over four years, have consistently found that communities’ drinking water infrastructure spending needs will grow in the years and decades ahead. As such, AMWA believes it is appropriate for the Drinking Water SRF’s authorized funding level to increase each year as well.

As my written testimony explains, a DWSRF authorization level of \$1.8 billion is a reasonable starting point because it is roughly double the program’s most recent annual appropriation and would not immediately constrain the ability of Congress to deliver adequate funding to the program. While Congress must remain cognizant of states’ financial ability to meet their 20 percent funding match, looking ahead the committee should consider increasing the authorization each year at least until it reaches about \$2.7 billion, a sum that aligns with President Trump’s previous call to triple DWSRF funding.

Finally, I should note that when Congress authorized the Water Infrastructure Finance and Innovation Act (WIFIA) pilot program in 2014, it chose to increase the program’s authorization by 250 percent over five years. So there is ample precedent for Congress to steadily increase the authorization level of a program to aid local water infrastructure financing efforts.

3. **Your colleague, Rudy Chow from Baltimore, MD, in a written response to a question from our last drinking water hearing, mentioned that codifying the EPA’s current practice for Consumer Confidence Reports is among the most**

significant, non-financial areas where Congress can assist drinking water systems. Can you explain that point for me?

As a result of a regulatory review carried out under President Obama, EPA revised its interpretation of the Safe Drinking Water Act's requirement that community water systems deliver their customers a copy of a consumer confidence report each year. Under EPA's new interpretation, community water systems were given the option to deliver these reports to customers electronically, such as by posting the reports publicly online and notifying customers of their availability via notices on water bills. Conversely, water systems that prefer to deliver hard copies of these reports to their customers may continue to do so, as they always have.

The new flexibility offered by EPA's policy has brought significant savings to water systems and their ratepayers nationwide. For example, as a result of the new policy 2012 was the last year that Nashville Metro Water Services printed and mailed the full Consumer Confidence Report to all customers. That year, we mailed 155,488 individual copies of the CCR, with total printing, handling and postage costs totaling \$42,631. Since 2013 we have posted the full CCR online and mailed a reminder postcard to all of our customers with a direct URL and instructions for accessing it. As a result, our per-unit cost for mailed CCR communications has decreased compared to five years ago, in spite of higher costs for postage and supplies. Many other utilities across the country have realized even greater savings by including the notice about CCR availability on or alongside billing statements that are sent to customers.

Nashville's experience appears to be typical of many other metropolitan water systems. For example, a 2016 survey of AMWA members found that 80 percent of responding utilities used electronic CCR delivery last year. These utilities reported avoiding printing an average of more than 138,000 paper CCRs, and saved an average of \$44,205 in printing and postage costs. Assuming that these figures are representative of all community water systems in the U.S. that serve more than 100,000 people, fully adopting electronic CCR delivery nationwide would save more than 55 million pieces of paper and nearly \$17.7 million just at the country's 400 largest water systems. These savings represent additional resources that communities are able to devote to infrastructure investment.

AMWA supports Congress taking the opportunity of a DWSRF reauthorization bill to codify this EPA policy in the SDWA statute, thus ensuring that the ability to utilize electronic delivery options may not be unilaterally removed by a future EPA administrator.

4. **Your testimony mentions that there are places in the Safe Drinking Water Act and the Drinking Water State Revolving Loan Fund program that do not need "top-to-bottom overhaul." So that Congress does no harm, outside of**

mandatory deadlines and the contaminant regulatory process which you already mentioned, can you give me examples of areas you think would not need the “top-to-bottom overhaul”?

AMWA is aware of proposals that would require public water systems to assess potential threats related to climate change and nearby industrial and agricultural activities. Water utilities would have to repeatedly resubmit these assessments to EPA, along with documents outlining strategies to mitigate these threats, and emergency response plans detailing how the water system would respond in the event that one of these hypothetical risks played out.

While I’m sure these proposals come from a good place, it would take a tremendous amount of resources for a water utility to develop a detailed plan that accounts for each possible risk related to climate change, plus an inventory of the ways the utility could mitigate this range of risks, plus an emergency response plan to guide the response should any one of these risks come to pass. Given that Nashville’s most recent vulnerability assessment review and update took six months to complete, mandating even more requirements would quickly become a never-ending exercise.

AMWA also does not believe Congress should legislate particular disinfectant methods or chemicals used by water systems. We believe local water utility experts are best equipped to determine the optimal disinfectant to protect public health and ensure compliance with SDWA, so no future SDWA reforms should attempt to broadly steer all utilities away from one disinfection method or another.

Finally, AMWA believes Congress could maintain the integrity of SDWA’s regulatory process by directing EPA to develop consistent practices to govern the future development of health advisories. Section 1412 of SDWA allows the EPA Administrator to publish health advisories for contaminants that are not subject to any national primary drinking water regulation. Health advisories are therefore an important tool for providing information on emerging risks, particularly in regions that may have exposure to a particular contaminant that does not meet the threshold for development of a NPDWR. Health advisories are not regulations, but have the real potential to become de facto regulations given resource constraints at the Federal and State level. To avoid potential regulatory confusion, Congress should require EPA to develop criteria and an open process for the development of health advisories and to report back to Congress within the next 180 days laying out criteria and a process for how they are formulated.

The Honorable Richard Hudson

- 1. Your testimony called for allowing drinking water state revolving loan funds to be used for water system security enhancements. How often do water systems engage in vulnerability assessments or site security plans? Is that true for the other water utility members of the panel?**

It is a common practice for large community water systems to periodically review and update their vulnerability assessments and emergency response plans to ensure they are consistent with the current characteristics of the facility and account for known threats. In Nashville, we began our most recent vulnerability update in December 2016 and completed it in May 2017. We update our emergency response plan on an annual basis.

- 2. What types of items are you looking to have covered that are not otherwise covered by the Drinking Water State Revolving Loan Fund?"**

AMWA believes that Congress should formally allow community water systems to access Drinking Water SRF funds for security enhancements. After 9/11 EPA clarified that DWSRF dollars may be used for water facility security enhancements like fencing, security cameras and lighting, motion detectors, and redundant power systems, and EPA continues to recognize such expenses as eligible today. We are not looking to expand this eligibility, but we do believe it would be worthwhile for Congress to codify in the SDWA statute that DWSRF funds may be used for security measures. This would remove any risk of EPA revising its interpretation of the statute in the future, and would align the statutory DWSRF eligibilities with those of the CWSRF, which in 2014 were expanded by Congress to include "measures to increase the security of" treatment works.

The Honorable Paul D. Tonko

- 1. Systems have a hard time attracting talented and qualified employees. Many young people do not know these career opportunities exist. Meanwhile existing employees are getting closer to retirement. There is a lot of institutional knowledge at stake. Do you have any recommendations on what can be done to develop the water utility workforce?**

Developing a sustainable water utility workforce is one of the most pressing personnel challenges faced today by the drinking water community. In particular, drinking water utilities face strong competition from other sectors to recruit and retain skilled college graduates.

Utilities should start thinking about innovative strategies to develop the water utility workforce, such as partnering with local colleges and universities to

develop curriculums that could position graduates for long-term careers. Similarly, we need to reach out to stakeholders in our local communities to connect with local residents who may be able to fill some of the vital positions on the utility staff that do not require a college education.

Of course, key to maintaining a strong workforce is having the ability to offer competitive pay and benefits, so employees are eager to stay with the utility for the long-term. But doing this requires adequate budget space, so it is important that we keep other manageable costs down so that we can pay our employees what they expect to earn. Maintaining access to low-cost infrastructure financing, such as through tax-exempt municipal bonds, is one way to keep the capital project side of the budget in check so that we have more resources to devote to our workforce.

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

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Minority (202) 225-3641

June 9, 2017

Ms. Lisa Daniels
Director
Bureau of Safe Drinking Water
Pennsylvania Department of Environmental Protection
400 Market Street
Harrisburg, PA 17101

Dear Ms. Daniels:

Thank you for appearing before the Subcommittee on Environment on Friday, May 19, 2017, to testify at the hearing entitled "H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus
Chairman
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cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

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June 19, 2017

Ms. Elena Brennan
Legislative Clerk
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Ms. Brennan:

As requested, please find below my responses, as President-Elect of the Association of State Drinking Water Administrators (ASDWA), to questions posed by Chairman Shimkus and Mrs. Dingell in your letter of June 9, 2017. The questions relate to my testimony before the Subcommittee on Environment during the May 19 hearing titled "HR ____, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

Please express our appreciation to Chairman Shimkus and the Subcommittee for the opportunity to testify and provide additional information.

From The Honorable John Shimkus

1. There has been some discussion about the role of using asset management as a criteria when disbursing SRF loans. In Section 1452(a)(3)(A), there is a requirement prohibiting funding for a public water system which does not have "the technical, managerial, and financial capacity to ensure compliance."

- A. What role does asset management play in compliance with this requirement of law and of SDWA section 1420?**
- B. What role does review of a utility's rates play?**

(1A) When designing the 1996 SDWA Amendments, Congress recognized that many drinking water utilities – and especially the smaller systems – did not have all of the elements necessary to attain and sustain their abilities to meet Federal compliance requirements. While creation of the DWSRF provided the financial wherewithal for many water utilities to achieve and maintain compliance with national primary drinking water regulations, it by no means was a silver bullet. To enhance the success of both the DWSRF and public health protection, Congress created the capacity development program (SDWA §1420) that allows states to work with struggling systems to help them achieve technical, managerial, and financial capabilities to meet Federal drinking water requirements. In the early years, states focused most of their efforts on supporting systems' technical needs – how to take samples, maintain a monitoring schedule, pass a

sanitary survey. As systems gained confidence in their abilities to achieve operational proficiency, states began to look more closely at small system managerial and financial capabilities.

One of the tools that has been very helpful in educating drinking water utilities on how to attain and maintain their systems has been the development of asset management programs. For more than 10 years, under the auspices of capacity development strategies, states have been working directly and through their contracted assistance providers to educate smaller systems about the concepts and application of asset management principles as a road to successful public health protection. Many small systems are intimidated by the process and require direct, one-on-one training and support. EPA's university-based environmental finance centers have developed numerous webinars and support resources for asset management and the Agency's Office of Ground Water and Drinking Water has continued to update and improve its asset management tool (Check Up Program for Small Systems). Other, larger systems have taken advantage of the AWWA asset management tool.

Successfully gaining the confidence of small drinking water systems to undertake and sustain an asset management program is a long term effort. In the early days, many of these systems did not have a basic business plan and kept their financial records in a shoebox. Educating them on the value of instituting asset management, explaining the process, and having these systems follow through is not something that happens easily or quickly. The Capacity Development program as outlined in SDWA §1420 is an invaluable resource in helping smaller drinking water systems take on asset management which, in turn, enhances their eligibility for a DWSRF loan.

(1B) Reviewing utility rates is an activity not traditionally undertaken by state drinking water programs. Rate reviews, rate structures, and rate changes are generally managed by state Public Utilities Commissions or Public Service Commissions. Most states do not engage in local decisionmaking when it comes to rates. State drinking water programs do, however, provide outreach and education to community water systems about the different types of rate structures, the value of choosing the right rate structure, and the resources available to help a system make those determinations. States also work with smaller systems to understand asset management and how rates may affect the ability of the system to operate effectively and efficiently.

2. As you mentioned in your testimony, from 1996 to 2013, the national compliance percentage with health-based standards for water systems has increased from 85% to 93%. A lot of times in Congress we only hear about the nation's problems, so it is nice to hear this positive statistic and we of course want to see that compliance percentage continue to rise.

A. What other positive trends or success stories are happening with our nation's drinking water infrastructure?

B. This statistic on improved water quality compliance seems to be contrary to the fact that our nation's water infrastructure is in dire need of repair and investment.. How do you explain the discrepancy?

(2A) In general, the overall number of public water systems in the US has declined by nearly 20,000 since 1996 (170,942 v. 151,137). This is a good news story because it reflects the thoughtful consideration of many former systems as they learned about their responsibilities. Many did not even know that they had water system responsibilities. Nearly 4,100 of the reduced system number applies to community water systems...those that serve year-round populations of more than 25 people. These systems, for the most part, declined to continue as a drinking water system and were absorbed into a neighboring community system, joined forces with co-located systems to create a larger operational unit, or, in the more remote areas, simply dissolved and returned to private wells. These restructuring efforts have reduced the number of unsustainable (struggling?) systems and served to enhance our public health protection abilities as reflected in the compliance numbers referenced in the question.

Similarly, through the capacity development and operator certification elements of the 1996 SDWA, concerted education and outreach to small drinking water systems and their operators has resulted in better performing systems, better trained and educated operators, and a greater understanding of the 'why' behind many of the new rules and regulatory requirements. Source water protection efforts are another non-regulatory element in water system successes. Simply knowing your water source and taking simple steps toward prevention provide a significant reduction in the costs to remove known contaminants from the water supply and diminishes the downstream impacts of wastewater treatment. Finally, since the first infusion of \$358.6 million in Federal funds (FY 97), the DWSRF has funded more than 13,000 projects for drinking water systems across the nation. Because of the availability of these funds, many of the repairs and upgrades needed to maintain system integrity were implemented and water quality and quantity problems were resolved. Cumulatively, between FY 97 and FY 16, the Federal investment in the DWSRF has been nearly \$18.4 billion and states have contributed an additional \$3.45 billion. In addition, many states have leveraged the core funds to provide even more money for loans to drinking water systems.

(2B) There are really two components to our response to this question. While everyone agrees that the DWSRF has been successful and provides critically needed funding to meet the infrastructure needs of the drinking water utilities across the Nation, not all public health and compliance problems are rooted in physical infrastructure. The 1996 Amendments to the SDWA offered opportunities to delineate, assess, and protect source waters; to train and educate water system operators; to help struggling systems understand their managerial and financial responsibilities; to implement new rules that offer greater public health protection; and to communicate more effectively and efficiently with the public about the quality of the water they drink. Each of these factors contribute to improved public health protection and greater compliance, yet are not directly connected to aging infrastructure.

Separately, the referenced health based statistics do not always reflect the breadth of problems found at a water system. Problems caused by aging or inadequate infrastructure often show up as significant deficiencies during sanitary surveys, where the deficiencies can be identified and addressed through the find-and-fix provisions of the RTCR, GWR, and SWTRs. In addition, aging/inadequate infrastructure often results in the complete failure of a piece of equipment or a facility, such as a breakdown in chemical feed equipment or pumps, or a failure of water mains, pipes, valves or other appurtenances. And these failures often lead to dire consequences such as water outages, boil water advisories, or “do not consume” or “do not use” notices. Here are a few recent examples from Pennsylvania:

On December 1, 2016, the Carlisle Borough Municipal Authority experienced a catastrophic failure of their water filtration plant due to an equipment failure. A check valve failed on the discharge side of a high service pump, and allowed the water from two large finished water storage tanks to flow downhill back into the filter plant at an estimated rate of more than 4,000 gallons per minute; causing the clearwell to overflow and flood the below-ground pipe gallery. Multiple pieces of equipment were submerged and destroyed or rendered non-functional, including raw water pumps and motors, high service pumps and motors, water quality monitoring equipment, and some of the chemical feed equipment. The filter plant was rendered inoperable, and Carlisle was forced to implement mandatory water use restrictions and utilize several permanent and temporary emergency interconnections with adjacent water suppliers. The mandatory restrictions were in place until December 7, when Carlisle was finally able to complete repairs and/or replacements and resume production.

Since early 2016 and continuing into 2017, the Pittsburgh Water and Sewer Authority has been cited for multiple violations and deficiencies, several of which are the direct result of aging/inadequate infrastructure. These situations have included breakdowns in chemical feed equipment, failure of a rising main, treatment efficacy issues at a membrane filtration plant, problems with several pump stations, and concerns about the integrity of their clearwell. And while these violations have not resulted in MCL exceedances, they have most definitely resulted in multiple field orders, necessary emergency corrective actions, and several boil water advisories. Work at this system is ongoing to bring them back into compliance and ensure public health protection.

In summary, the improved compliance rates, while not always tied directly to aging infrastructure, do not counter the need for infrastructure funding; rather, taken together compliance rates will continue to improve as infrastructure needs are met.

From The Honorable Debbie Dingell

3. Ms. Daniels, in Pennsylvania, how is your department working to improve communication and notification of water quality with the public?

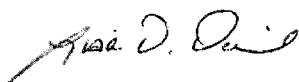
While there is always room for improvement, Pennsylvania has worked hard over the years to ensure access to water quality information and improve transparency. Since

2002, all public water system compliance sample results have been publicly available on our website through the Drinking Water Reporting System available at <http://www.drinkingwater.state.pa.us/dwrs/HTM/Welcome.html> . And since 2009, Pennsylvania has required mandatory electronic reporting of compliance data to ensure data integrity. All data that is submitted undergoes multiple QA/QC batch edit checks, and is then run through automated compliance programs to determine MCL compliance. The public can access sample results, inventory information and violation data for all 8,500+ public water systems in the state. PA is also working on enhancements to our Department-wide enterprise system – eFACTS – to provide better access to inspection results and permitting data.

Regarding notification of water quality problems, Pennsylvania enacted more stringent public notification requirements in 2009 to improve the delivery and effectiveness of public notice for our most serious violations – Tier 1 violations. Pennsylvania also has a long-standing requirement that water suppliers must notify the Department within one hour of becoming aware of a violation or situation with the potential for adverse impacts on water quality or quantity. This allows us to immediately consult with the water supplier about the situation, and make very quick decisions about actions that may be needed to protect public health.

Areas for improvement include transitioning to electronic inspections and electronic permitting. This would allow us to make information more readily available and accessible. State resources have been a challenge to making this a reality

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa D. Daniels". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lisa D. Daniels
ASDWA President-Elect and
Director, Bureau of Safe Drinking Water
Pennsylvania Department of Environmental Protection

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

ONE HUNDRED FIFTEENTH CONGRESS
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June 9, 2017

Mr. Kurt Vause
Special Projects Director
Engineering Division
Anchorage Water and Wastewater Utility
3000 Arctic Boulevard
Anchorage, AK 99503-3813

Dear Mr. Vause:


Thank you for appearing before the Subcommittee on Environment on Friday, May 19, 2017, to testify at the hearing entitled "H.R. __, Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, June 23, 2017. Your responses should be mailed to Elena Brennan, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Elena.Brennan@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,


John Shinkus
Chairman
Subcommittee on Environment

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

Attachment

Attachment – Additional Questions for the Record

The Honorable John Shimkus

1. Safe Drinking Water Act Section 1433 calls on community water systems to conduct vulnerability assessments of their systems to terrorist attack or other intentional acts designed to disrupt the ability of the water system to provide a safe and reliable supply of drinking water.
 - a. Could you please explain what AWWA G430-14 and ANSI/AWWA J-100 are?
 - b. Are these standards used by AWWA members and what do they cover?
 - c. Are there other, non-mandatory standards that water utilities are using to update their vulnerabilities to various hazards?

The Honorable Paul D. Tonko

1. Systems have a hard time attracting talented and qualified employees. Many young people do not know these career opportunities exist. Meanwhile existing employees are getting closer to retirement. There is a lot of institutional knowledge at stake. Do you have any recommendations on what can be done to develop the water utility workforce?

The Honorable Debbie Dingell

1. Mr. Vause, how can federal infrastructure investment be used to modernize service lines and protect communities from lead and other contaminants?
2. Mr. Vause, does the bill we are considering today provide the funding necessary to make robust investments in our drinking water infrastructure? And what would be the impact nationwide if funding was decreased or cut?
3. Mr. Vause, what else needs to be done to address the risk of lead in drinking water – how important is it to finalize revisions to the Lead and Copper rule?

GREG WALDEN, OREGON
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY
RANKING MEMBER

ONE HUNDRED FIFTEENTH CONGRESS
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June 9, 2017

Ms. Lynn Thorp
National Campaigns Director
Clean Water Action
1444 I Street, N.W.; Suite 400
Washington, DC 20005

Dear Ms. Thorp:

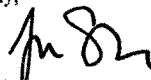
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Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus
Chairman
Subcommittee on Environment

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment

Attachment



June 23, 2017

The Honorable John Shimkus
U.S. House of Representatives
Committee on Energy and Commerce
Washington DC 20515-6115

Dear Representative Shimkus,

Thank you for the opportunity to appear before the Subcommittee on Environment to testify at the hearing on the "Drinking Water System Improvement Act and Related Issues of Funding, Management, and Compliance Assistance under the Safe Drinking Water Act."

In response to the questions from the Honorable Debbie Dingell:

1. Ms. Thorp, do you think the Safe Drinking Water Act should be amended to strengthen notification requirements and increase transparency?
2. Ms. Thorp, does the draft bill under discussion today include any provisions that would improve or strengthen public notification requirements?

There are a number of ways that Safe Drinking Water Act implementation could be improved to increase transparency and to improve both the Public Notification requirements that pertain to all National Primary Drinking Water Regulations and the specific public education and notification requirements in the Lead and Copper Rule. For example, general public notification materials and requirements could be updated to reflect changes in use of traditional and social media and social science research on how people understand public health risk. In the case of lead, the U.S. Environmental Protection Agency (EPA) has identified transparency as a key element of its November 2016 "Drinking Water Act Plan," and has asked states to work with water systems to improve access from everything from monitoring data to the location of lead service lines.

While many improvements to implementation can be done through revisions to regulations and guidance, updates to the underlying statute can help to reinforce the importance of these activities. There are relevant provisions in H.R. 1068, the Safe Drinking Water Act amendments of 2017, introduced earlier this year.

The bill under discussion at the May 19 hearing, referenced above, did not include provisions related to public notification or transparency to my knowledge.

Thank you again for the opportunity to testify and please let me know if I can be of further assistance.

Sincerely,

Lynn Thorp
National Campaigns Director

1444 Eye Street NW1 #400: Washington DC 20005
Phone 202-895-0420
www.CleanWaterAction.org/XX