

EPA Plans Fiscal Sustainability Rules



EPA's draft fiscal year 2011 budget request, currently undergoing White House review, includes first-time requirements for drinking water and wastewater utilities to prove they meet several standards of sustainability before receiving state revolving fund (SRF) loans for infrastructure maintenance, repair and upgrades.

The requirements would mark a shift for EPA, which until now has not taken an official position on whether utilities should be required to demonstrate they are effectively managing their water infrastructure assets before getting financial assistance.

President Obama's FY10 budget request included language requiring the agency to work with state and local partners to develop a sustainability policy, EPA wastewater chief James Hanlon told a National Association of Clean Water Agencies (NACWA) law conference Nov. 11 in Washington, DC.

The FY10 budget request "included a direction to EPA that called for a sustainability policy including management and pricing for future infrastructure funding through the SRFs to encourage conservation and provide adequate long-term funding for the future gap of needs," Hanlon said.

EPA has held a series of conference calls with stakeholders, including NACWA and drinking water utilities to cull "their best advice in terms of what sustainability meant, including pricing and management of conservation provisions," Hanlon said.

Based on those conversations, the agency submitted a proposal to the White House Office of Management & Budget (OMB) along with EPA's FY11 budget, Hanlon said. The agency is "currently in a conversation" with OMB about the proposal, he said, adding that he expects "some direction in terms of that policy in the president's [FY]11 budget request," if not sooner.

EPA's proposal includes requirements that when a utility applies for SRF money, they must declare or show some level of sustainability, which EPA or state officials would then consider as part of their reviews of SRF applications, one rural water source says.

The source says the sustainability requirements will be based on three elements drawn from a previous report issued by EPA and industry stakeholders on how to run an efficient, effective utility. The agency released *Effective Utility Management: A Primer for Water and Wastewater Utilities* in June 2008. The document includes "Ten Attributes of Effectively Managed Water Sector Utilities," meant to be "concise reference points for utility managers."

The source was unclear on which of the 10 attributes were included in EPA's FY11 budget request to OMB, and an EPA spokeswoman said that because "the document is currently an internal deliberative . . . we cannot comment on the specifics at this time."

The 10 attributes as listed in the EPA document include product quality; customer satisfaction; employee and leadership development; operational optimization; financial viability; infrastructure stability; operational resiliency; community sustainability; water resource adequacy; and stakeholder understanding and support.

Of those, several involve elements of sustainability, though as some stakeholders note, the word connotes varied definitions.

These include financial viability, which includes setting customer rates that fully reflect the costs required to run a utility; infrastructure stability, which refers to the “conditions of and costs associated with critical infrastructure assets,” including maintaining infrastructure at the lowest life-cycle costs possible; and community sustainability, which means managing operations, infrastructure and investments to protect, restore and enhance the natural environment and efficiently using water and energy resources, among other characteristics.

The rural source says that while the qualities from the 2008 report do describe needs for sustainability, it is unclear how they will translate to standards required to receive EPA funding. But “I think it’s a good thing to look at and analyze,” the source says.

However, the source says that some may argue against sustainability standards, because utilities that fail to live up to them — and consequently don’t receive funding — are the ones that need government aid the most. The “least sustainable are the ones you want to give the money to,” the source says, because they have “the most serious environmental and public health issues.”

Earlier this year at a House Transportation & Infrastructure Committee hearing on EPA’s FY10 budget request, Rep. Henry Brown (R-SC) also questioned then-acting water chief Michael Shapiro on whether utilities should be required to demonstrate they are effectively managing their water infrastructure assets before getting financial assistance, noting that at a previous hearing witnesses have said communities have not maintained infrastructure and do not have a plan for replacement.

Shapiro said EPA had not taken a position on the issue although the agency has encouraged utilities at all levels to adopt asset management plans, environmental management systems and sound pricing strategies to maintain the future viability of the infrastructure.

“We recognize that this has been a problem historically within the industry,” Shapiro said. But EPA has been working with nearly all the major utility organizations to develop a set of principles and actions that would characterize a well managed utility. And the agency is “seeing much greater acceptance now of these kinds of planning approaches,” he said (*Water Policy Report*, June 8).