



Statement of the National Association of Water Companies
Before the Senate Committee on Environment and Public Works
Oversight Hearing on Federal Drinking Water Programs

December 8, 2009

The National Association of Water Companies (NAWC) represents all aspects of the private water service industry. The range of our members' business includes ownership of regulated drinking water and wastewater utilities and the many forms of public-private partnerships and management contract arrangements. Seventy-three million Americans – nearly one in four - receive service from a private water service provider.

Clean Water Act and Safe Drinking Water Act Compliance

The NAWC and its members commend the US Environmental Protection Agency and Administrator Lisa Jackson for a strong commitment to environmental compliance and consistency through enforcement of the Clean Water Act and Safe Drinking Water Act.

NAWC member companies are water experts and innovators drawing from a national and sometimes international network of experienced professionals committed to helping communities meet and often exceed compliance standards for the Clean Water Act and Safe Drinking Water Act.

The landmark passage of these important environmental laws created a regulatory pact wherein enforcement and regulatory agencies must oversee and demand compliance with the laws; and water stewards must meet compliance mandates or face penalties. The regulatory pact between federal, state, and local regulators and utilities works best when all parties are fully committed by using all available means to achieve their respective mission.

In the United States there are over 53,000 community water systems tasked with complying with the Safe Drinking Water Act, most of which are very small, serving only a few hundred people. Similarly there are 16,000 wastewater treatment works tasked with complying with the Clean Water Act and providing pollution control to 71% of Americans. These highly technical public works systems reflect a commitment in the United States to providing all communities with access to safe and compliant drinking water and sanitation, regardless of size and financial status. To follow this commitment, laws should be applied consistently rather than on a tiered basis or according to individual circumstances.

There are many tools available to water management entities that can be better and more frequently used to assure more consistent compliance with environmental and public health laws. Water management entities can take significant steps toward better serving the American people and

decreasing their particular challenges to meeting compliance standards by accessing the many organizational, managerial and financial tools at their disposal, explained in detail below.

Effective Utility Management

In 2006 the NAWC partnered with other water sector organizations and the US EPA to formalize a collaborative effort to promote effective utility management. The participating groups believed that water utilities are interested in tools that can support management progress, and that many utilities would benefit from a “helping hand” that can guide them to useful management resources. As part of this effort, a resource toolbox has been made available for management.

Similarly, in the Spring of 2009 a group of diverse industry experts in coordination with the Aspen Institute identified 20 elements of a “sustainable path” that can “guide water management and funding at all scales.” Financial as well as managerial solutions must be applied and water management entities must strive and be encouraged through regulatory means to achieve financial and environmental sustainability.

Consolidation to Achieve Compliance

Drinking water and wastewater management has traditionally been a local activity and responsibility, delineated by community and political boundaries. Although the nature of water and wastewater management is geographically confined by water sources and will therefore remain a local responsibility, regional cooperation may provide opportunities for water managers. In many cases the challenges facing communities and their water and wastewater obligations can be addressed by achieving economies of scale through consolidation of management, ownership and expertise with another community.

Throughout the country, NAWC members have been successful in consolidating small, non-viable and often non-compliant water systems into a larger and more environmentally and economically sustainable framework. Consolidation can occur in two forms:

- **Physical consolidation:** by building or connecting to an existing wastewater or drinking water treatment system that would supplant an otherwise non-compliant system;
- **Managerial consolidation:** to regionalize systems with an eye towards better management of the broader watershed and environmental resources.

Federal and state regulatory authorities can encourage compliance through consolidation by providing financial and regulatory certainty. Often, state economic and environmental regulators seek assistance from NAWC members in getting small systems facing extreme challenges into compliance with the before mentioned Acts. These utilities often face challenges that, absent of an improved management strategy, cannot be overcome by merely increasing funding.

There are historical federal funding barriers to consolidation solutions. Congress can help public health and environmental regulators in facilitating compliance through consolidation by providing proper and responsible incentives in federal funding programs. Currently S. 1005 would prohibit low-interest State Revolving Loan funding to non-compliant systems unless it is determined that assistance would bring the system into compliance, providing a water manager with the incentive to comply or seek other options. Furthermore, S.1005 would allow a private owner or operator of a system to access low-interest loans to facilitate and help to achieve compliance. These two principles should apply to all federal funding.

In addition to encouraging better management practices, regulators should work with utilities to set compliance goals and to provide positive regulatory incentives for competent systems to take responsibility for small, poor-performing systems.

Public Private Partnerships

NAWC member companies are often hired by a water management entity to specifically address and fix the water system's past compliance issues. NAWC members operate well over 2,000 water facilities throughout the country in a contractual agreement with a public agency (federal, state or local) through a public private partnership.

Contracts legally require Clean Water Act and Safe Drinking Water Act compliance. For example, the private partner may agree to undertake the capital investment needed to achieve compliance or to operate and maintain the system in full compliance with public health and environmental laws. As a matter of good business, private partners are excellent at meeting contracts, deadlines and expectations.

Through this contractual agreement, the skills and assets of the public and private sectors are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility. Such partnerships have been shown to save money for communities facing costly compliance obligations, and possess a 93 percent renewal rate.

Conclusion

The US EPA should primarily focus on encouraging and providing incentives for water managers to achieve compliance through the many managerial, technical and financial tools available. However, NAWC strongly acknowledges that a transparent and consistent enforcement program also is a critical element of the nation's efforts to ensure clean, safe, secure and reliable drinking water and wastewater service for everyone as intended by the authors of these landmark environmental laws.