



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

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OFFICE OF WATER

Ms. Joanne Throwe
Chair, U.S. EPA Environmental Financial Advisory Board
1200 Pennsylvania Avenue, NW, MC 4204M
Washington, D.C. 20460

Dear Ms. Throwe:

Thank you for the Environmental Financial Advisory Board (EFAB) report, "Financing Strategies to Promote System Regionalization (April 2019)." Drinking water and wastewater systems across the nation face many challenges in their effort to provide safe drinking water and clean water to protect the environment. Regionalization is an option for some systems that may assist in providing these vital services. This report provides valuable recommendations to the U.S. Environmental Protection Agency (EPA) on how to provide water systems assistance in the decision-making process.

The EPA recognizes the importance of the findings presented in the report. Water system regionalization can take many forms and it is important that systems that are considering regionalization understand both the advantages and disadvantages associated with the different choices available. Also, it is critical to understand the differing options and challenges faced by urban, suburban, and rural systems. These findings will be used by the EPA as it continues to develop regionalization policies.

The EPA is pursuing several activities that help address the recommendations within the report.

With regard to the recommendation for the EPA to promote and incentivize regionalization and consolidation alternatives, the EPA has several ongoing and new activities. The EPA will continue to make information available to assist drinking water and wastewater systems in making informed decisions. The EPA's guide "Water System Partnerships: State Programs and Policies Supporting Cooperative Approaches for Drinking Water Systems" contains information about programs, statutes, and policies implemented in each state that encourage partnerships between drinking water systems. Specifically for drinking water systems, the EPA is also planning to develop in-depth case studies of state programs that include regionalization activities within their Capacity Development programs. These case studies will explore best practices for integrating regionalization into state policies and programs. Additionally, for both drinking water systems and wastewater systems, the EPA will identify state programs that are incentivizing regionalization activities through their use of the Clean Water State Revolving Fund (CWSRF), Drinking Water State Revolving Fund (DWSRF), or other state grants or loans.

The EPA will continue to utilize its websites and the Water Finance Clearinghouse to disseminate information about regionalization. The EPA is in the process of developing the "How to Support Water Systems Partnerships" tool, which will serve as a resource for states and their drinking water programs to identify potential water system partnerships. This interactive tool will lead states through a series of

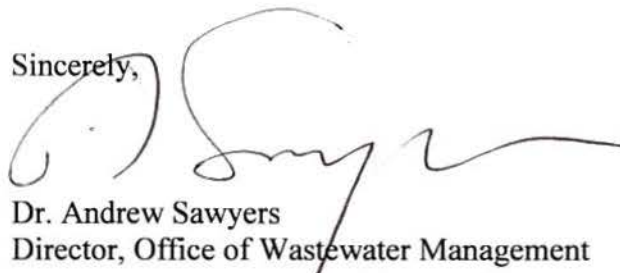
steps by identifying public water systems with technical, managerial, and financial (TMF) challenges that could benefit from a partnership.

The EPA is developing the “Water System Partnership Training Toolbox.” This Toolbox is intended to provide tools for state representatives, technical assistance providers, and other interested stakeholders to develop and run workshops for small drinking water systems. These workshops provide the tools needed at the local level to help systems and communities determine the extent to which they already engage in partnerships with other systems, and to help them determine which new types of partnerships could be established in the future.

The EPA will also continue to communicate the use of “Safe Harbor” (also referred to as Consolidation Incentive) provisions as recommended in the EFAB’s report. As Congress directed the EPA through the America’s Water Infrastructure Act (AWIA), the EPA intends to make changes to Consolidation Incentive provisions. Section 2010 of the AWIA requires states to have the authority to require public water systems to assess options for consolidation, or transfer or ownership of the system, or other actions expected to achieve compliance with National Primary Drinking Water Regulations (NPDWRs). The EPA has begun development of the Water System Restructuring Rule (WSRR) which will outline a general sequence for water systems and primacy agencies to follow and establish requirements for, as well as limitations on, the (h)(5) liability protection provision. The WSRR will codify the 1414(h)(2) statutory requirement that primacy agencies provide up to two years enforcement relief for a public water system under an approved restructuring plan. In addition, the WSRR will codify requirements of, and limitations on, enforcement relief. The WSRR will codify the 1414(h)(4) provisions stating that water systems are eligible for DWSRF loans to implement out restructuring activities identified in a mandatory restructuring assessment.

The EPA appreciates the EFAB investing significant time and effort in producing this report on a very important topic.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Sawyers", written over a horizontal line.

Dr. Andrew Sawyers
Director, Office of Wastewater Management

cc: Edward H. Chu, Designated Federal Officer, Environmental Financial Advisory Board
Benita Best-Wong, Principal Deputy Assistant Administrator, Office of Water
Dr. Jennifer McLain, Director, Office of Ground Water and Drinking Water
Raffael Stein, Director, Water Infrastructure Division
Anita Thompkins, Director, Drinking Water Protection Division
Sonia Brubaker, Director, Water Infrastructure and Resiliency Finance Center
Cathy Davis, Acting Chief, Drinking Water Protection Branch