

# Advancing Water Affordability Nationwide: Overview of EFAB's Report

June 26, 2025

# Opening Remarks

- EPA's Environmental Financial Advisory Board (EFAB) is an independent group of external experts
- How EFAB's water affordability deliverable supports the broader work that EPA is doing in the water affordability space
- Introduction of today's speakers
  - **Janet Clements**, President and Founder of One Water Econ and Co-Chair of the EFAB Water Affordability Workgroup.
  - **Cynthia Koehler**, Executive Director of the WaterNow Alliance and Co-Chair of the EFAB Water Affordability Workgroup.

## EFAB's Focus



..... Lowering the cost of environmental protection



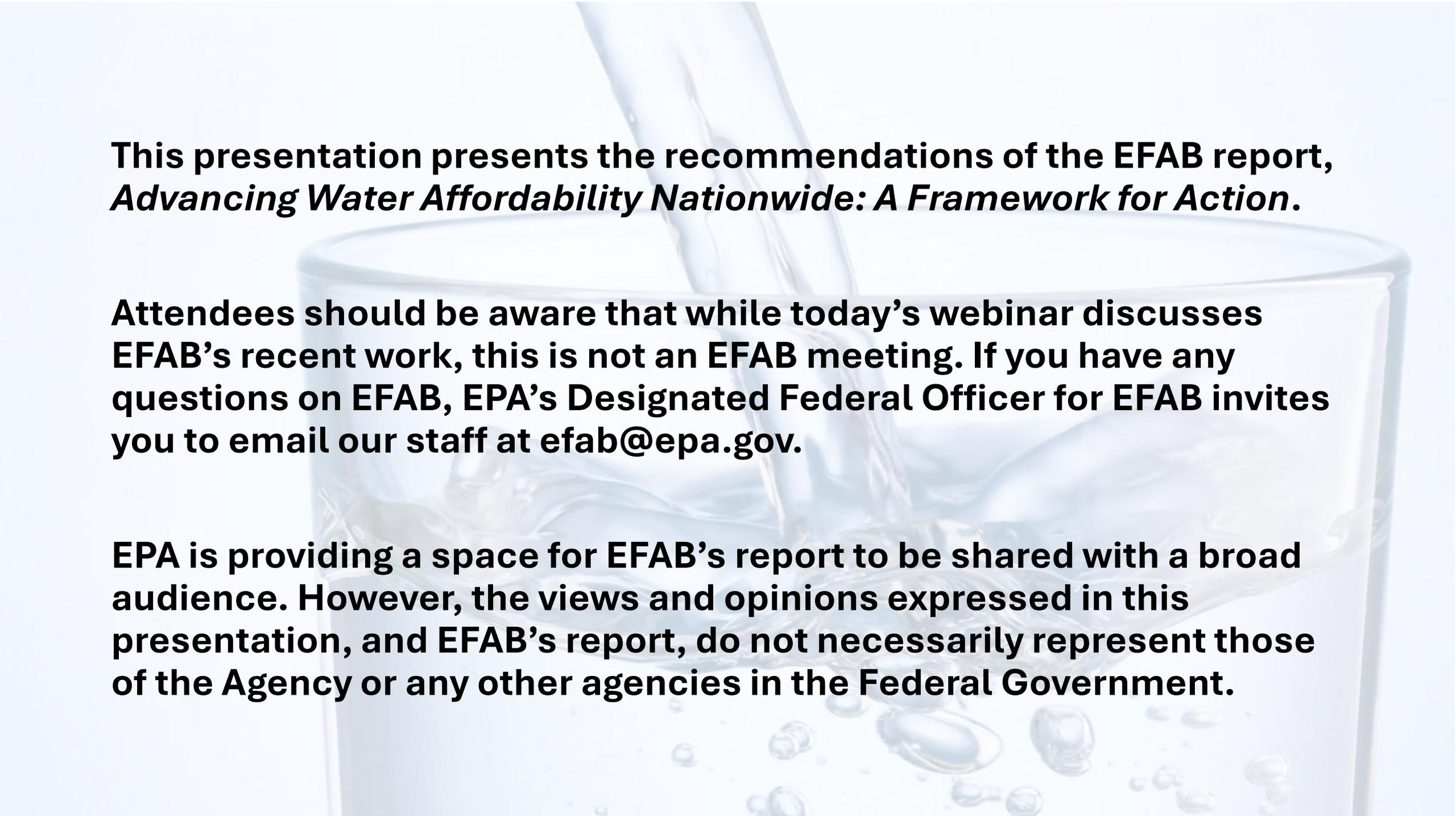
..... Removing financial and programmatic barriers that raise costs



..... Increasing public and private contribution in environmental facilities and services



..... Building state and local financial ability to meet environmental laws

A background image showing water being poured from a glass pitcher into a clear glass. The water is captured in motion, creating splashes and bubbles. The scene is brightly lit, with a clean, white background.

**This presentation presents the recommendations of the EFAB report, *Advancing Water Affordability Nationwide: A Framework for Action*.**

**Attendees should be aware that while today's webinar discusses EFAB's recent work, this is not an EFAB meeting. If you have any questions on EFAB, EPA's Designated Federal Officer for EFAB invites you to email our staff at [efab@epa.gov](mailto:efab@epa.gov).**

**EPA is providing a space for EFAB's report to be shared with a broad audience. However, the views and opinions expressed in this presentation, and EFAB's report, do not necessarily represent those of the Agency or any other agencies in the Federal Government.**

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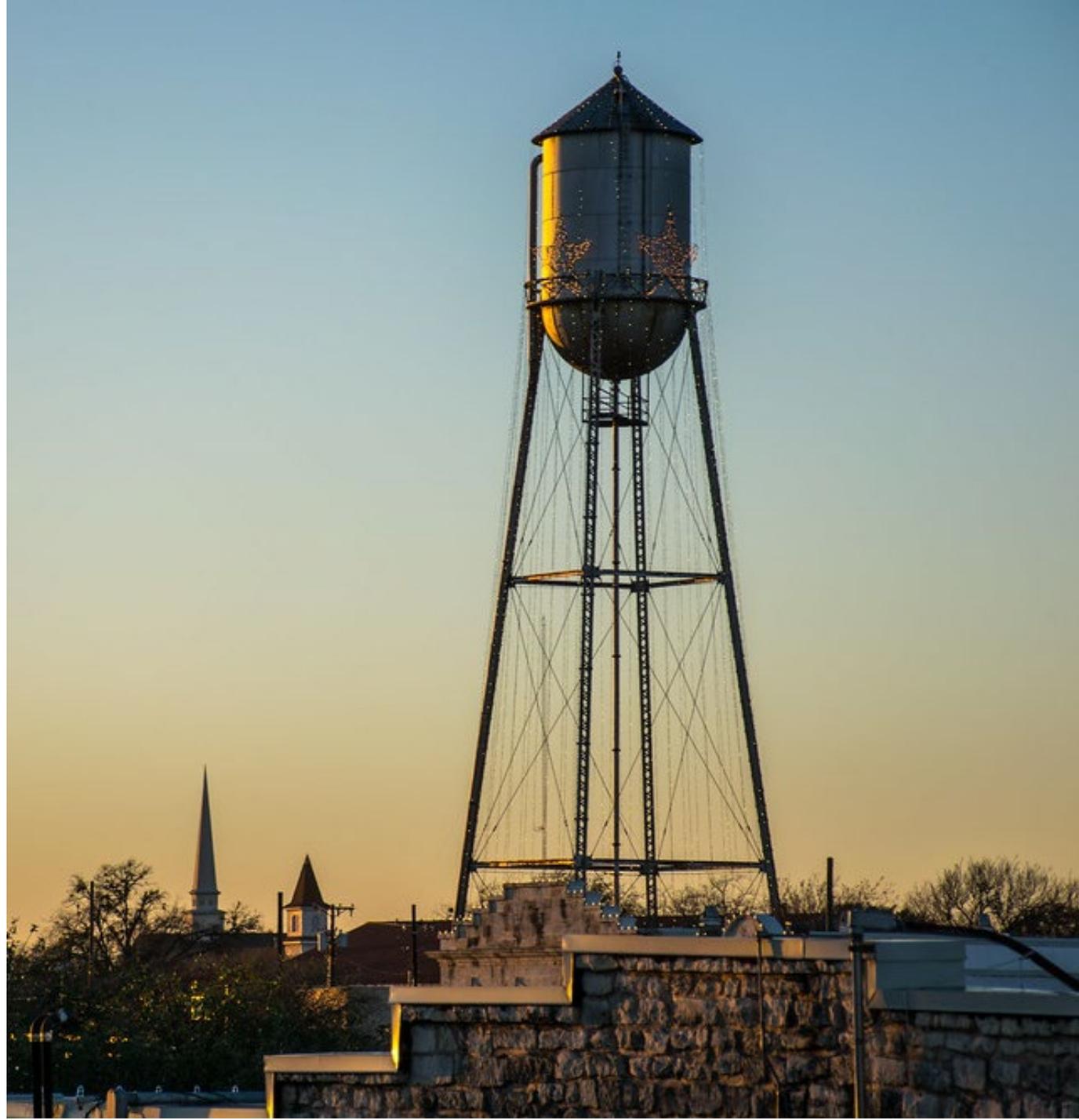
# What is Water Affordability?

*No universally accepted definition.*

*EFAB adopted the following for purposes of this report:*

*“The ability of a customer to pay the water bill in full and on time without jeopardizing the customer’s ability to pay for other essential expenses.”*

*-AWWA Panel*





Water affordability is a growing concern impacting households and utilities in every community.

Addressing water affordability lowers the cost of living for Americans.

# EPA's Water Affordability Charge to EFAB

EPA charged EFAB with developing recommendations for addressing water affordability in the following priority areas:



CAPITAL PROJECTS



CUSTOMER ASSISTANCE  
PROGRAM (CAP) BARRIERS



RATE STRUCTURE/DESIGN



SRF SUBSIDIES



EPA SUPPORT

# Affordability Framework

- Capital Investments
- Operations & Maintenance
- Federal/State Support
- Rate Structure Design
- Customer Assistance Programs (CAPs)



# Reducing Capital Investment Costs

## *Reduced Cost Alternatives to Conventional Water Infrastructure*

The approaches explored in the report include:

- Water Use Efficiency as a Source of Water Supply
- Distributed Stormwater Infrastructure
- Source Water Protection Interventions as Water Quality Infrastructure
- Optimization with Intelligent Infrastructure
- Regionalization of Water Infrastructure (in connection primarily with very small utilities)

### **Water Use Efficiency as a Source of Supply**

A 2022 study from the Pacific Institute estimates that adopting proven technologies and practices could reduce urban water use in California by 30% to 48%.

# Reducing Capital Investment Costs

## *EFAB's Recommendations to EPA\**

1. Study Relative Costs of Infrastructure Investment Options
2. Infrastructure Life Cycle Benefits and Cost Assessment
3. Nature-Based Infrastructure Benefits Valuation
4. EPA Affordability Website
5. Expand EPA Integrated Planning Guidance
6. Affordability Screen Template
7. Case Study Highlights
8. New PISCES and AQUARIUS Awards

\*These are the Board's recommendations to EPA.



# Capital Investments:

## *Alternative Delivery Models to Reduce Costs*

- Potential challenges with conventional project delivery models that can increase costs:
  - Over-designing or overbuilding projects
  - Lifecycle Costs: using models that elevate lower up-front costs, are more costly over time due to high operations and maintenance
  - Misaligned incentives
- Opportunities to address these challenges include:
  - An integrated approach emphasizing all phases of project planning, design, and construction can lead to more affordable outcomes.
  - Building new leadership capabilities emphasizing a culture of collaboration and people-focused management

Capital investments in water infrastructure can be more cost-effective depending on how infrastructure projects are implemented.

# Capital Investments - EFAB's Recommendations to EPA\*

## *Alternative Delivery Models to Reduce Costs*



1. Project Delivery Strategies Study
2. Legal Barriers Impacting Water Project Delivery Study
3. Best Practices Recommendations
4. Workforce Development Series

\*These are the Board's recommendations to EPA.

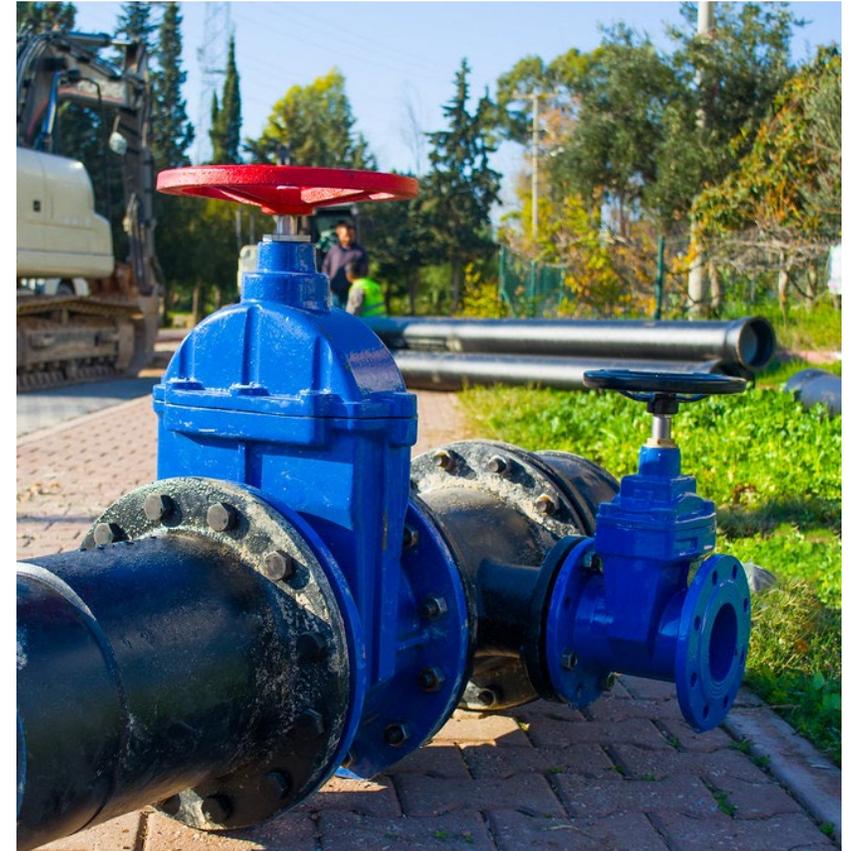
# Increase and Promote Operational Efficiencies to Reduce O&M Costs

- Operational efficiencies are intertwined with water affordability.
- Effective utility management (EUM) practices, including asset management, are a key operational tool for maximizing benefits and limiting life cycle cost.
- EFAB's recommendations
  - Highlight successful asset management programs.
  - EPA Affordability Website Page
  - Incentivize asset management programs

# Federal Financial Support Addresses Affordability: *SRF Additional Subsidy*

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- SRFs are required to provide a certain level of “additional subsidization” – a portion of an SRF loan funds that are not repaid.
- Statutory eligibility criteria differ under the SDWA and CWA differ.
  - **Clean Water Act.** Additional Subsidy can be provided to SRF applicants that do not meet the CWA affordability criteria if specific metrics are met, including hardship to low-income ratepayers
  - **Safe Drinking Water Act.** No similar provision as CWA





# Federal Financial Support to Address Affordability (SRF Additional Subsidy)

*EFAB's Recommendations to EPA\**

1. Guidance Toolkit for CWSRF Programs
2. Continue to Explore Approaches for providing grants and additional subsidization to communities
3. Revise EPA Affordability Website

\*These are the Board's recommendations to EPA.



## Cost of Service Rate Setting Principles

- AWWA's M1 Manual provides guidance for establishing rates that recover the full cost of service associated with meeting a **community's average use, peak demands, total water volume needs, and fire flow requirements**.
- Cost of service – key steps:
  1. *Determine revenue requirements*
  2. *Allocate costs*
  3. *Design rates*
- This framework limits the type of costs that can be recovered through utility rates, as well as how they are recovered (i.e., from which customers).



# Rate Structure and Design To Address Affordability

**In some states, requirements for rates are provided in state statutes and/or case law**

- Common legal terms: reasonable, uniform, non-discriminatory, cannot grant preference, etc.
- Some state statutes specifically limit the types of costs that can be recovered
- Mostly intended to ensure utilities adhere to cost-of-service requirements and safeguard against one class of customers cross subsidizing others.
- Strict cost of service definitions and ambiguous requirements have led to real and perceived legal barriers to setting rates that address broader concerns, including household affordability.

# Rate Structure and Design

## *EFAB's Recommendations to EPA\**

1. Tie Federal Financing to Affordability
2. Elevate Model State Statutes
3. Technical Assistance for Rate Development
4. Rate-Related Analyses
5. Think Beyond the Traditional Cost of Service Framework

\*These are the Board's recommendations to EPA.



# Customer Assistance Programs (CAPs)

## *Background*

- CAPs are just one of many approaches to help households in a water utility's service area and may be considered as part of a larger comprehensive affordability strategy. CAPs may not be appropriate for all utilities.
- Common types of CAPs:
  - Bill Discount
  - Flexible Terms
  - Temporary Assistance
  - Water Efficiency
  - Lifeline Rates



# CAP Barriers Identified by EFAB

## *Overview*

- Limited availability of utility-led CAPs
- Legal/rate funding challenges
- High **administrative burden** for customers and utilities
- High **administrative costs** for utilities
- Hard-to-reach customers





A close-up photograph of a young child with light brown hair and bright blue eyes. The child is holding a clear glass of water with both hands and is in the process of drinking. The background is a soft, out-of-focus green. The text is overlaid on the right side of the image.

## Successful CAP Approaches Identified by EFAB

- Successful strategies for CAP participation include:
  - categorical eligibility or automatic enrollment,
  - partnering with third-party administrators or community-based organizations, and
  - using data to understand and market.

# CAP Barriers

## *Hard-to-Reach Customers*

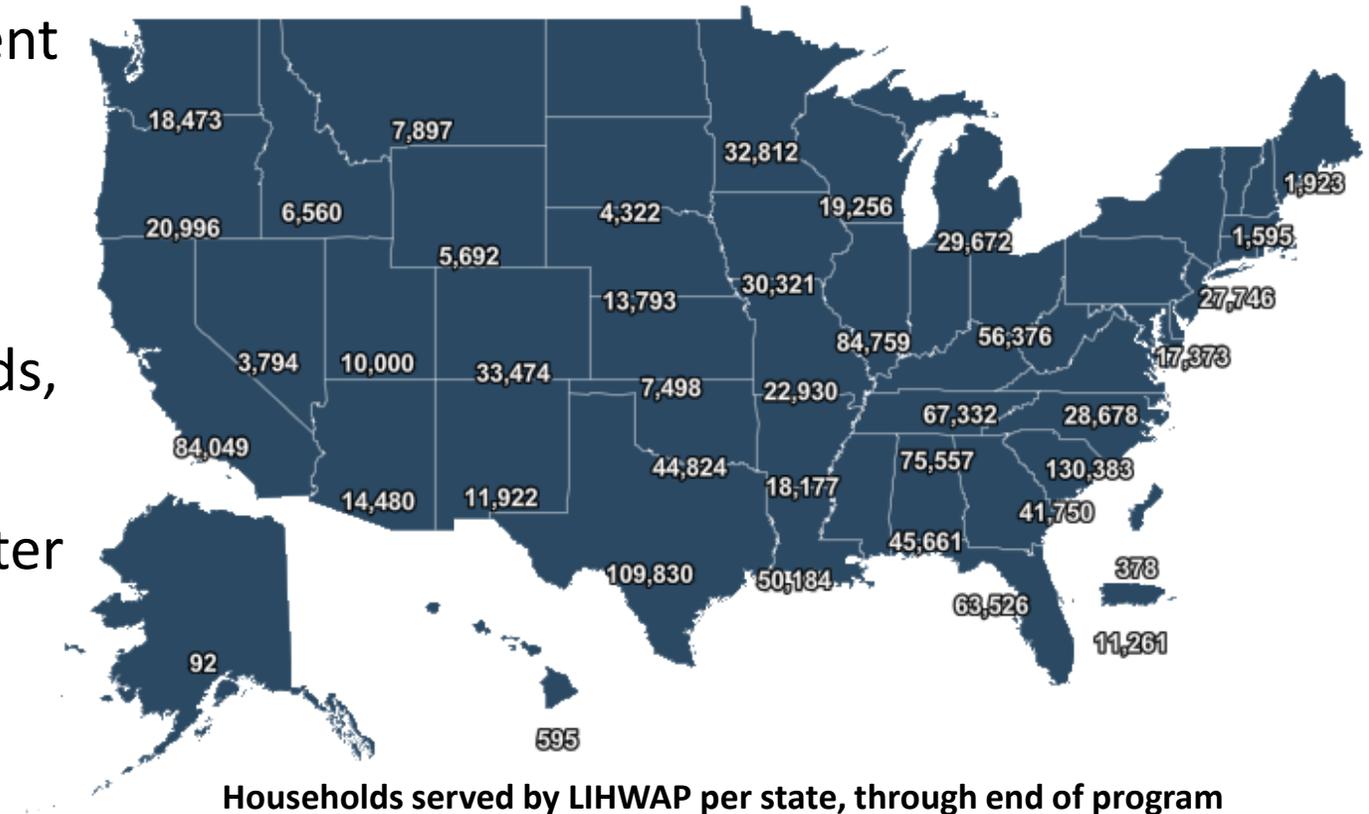
	U.S. households earning <150% FPL	U.S. households earning >150% FPL <sup>a</sup>
Occupied households	26.7 M (20.6% of total)	103.1 M (79.4% of total)
Single family	50%	74%
Multi-family	41%	22%
Other	9%	4%
Renters	59%	29%
Owners	41%	71%
<b>Pay for water through rent</b>	<b>26%</b>	<b>13%</b>
No charge for water	18%	14%
Pay a water bill	56%	73%

U.S. Census American Community Survey (ACS) Public Use Microdata Series (PUMS) data analysis by One Water Econ

# CAPs

## *State and Federal Efforts*

- No state currently operates a permanent water CAP; several have introduced or passed supporting legislation.
- LIHWAP – a temporary (Covid-19) program assisted 1.7 million households, mostly by paying arrears.
- There is currently no national level water assistance or affordability program.



Households served by LIHWAP per state, through end of program



# CAPs

## *EFAB's Recommendations to EPA\**

- 1. Planning Funding.** Increased funding to utilities to support development of affordability/assistance programs.
- 2. Best Practice/Case Study Compendium.** Highlight successful local, utility-led CAP programs.
- 3. Study Costs of Nonpayment/Shutoffs to Utilities.** Quantify costs associated with service shutoffs and non-payment to help make the business case for CAPs.

\*These are the Board's recommendations to EPA.

# Summary of EFAB's Recommendations to Support Affordability

1. Comprehensive Affordability Webpage
2. Innovative approaches to utilize SRF
3. Technical Assistance and Planning Funds
4. Incentives
5. Studies/Information Gaps
6. Support to Elevate Best Practices



# Closing Remarks

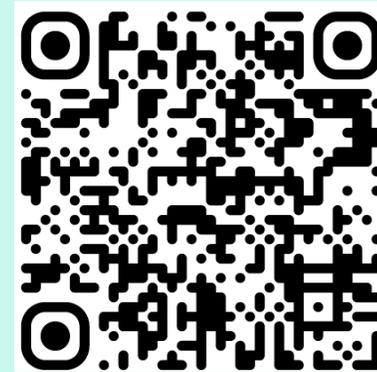
- Thank you for joining us today!
- On behalf of EPA, thank you to our presenters!
- This webinar is the first in a series of webinars focused on ongoing work in the Water Affordability space.
- Future webinars will be announced on EPA's Water Affordability website.

Read EFAB's full report:



<https://www.epa.gov/system/files/documents/2025-01/efab-water-affordability-report.pdf>

Learn more about EPA's work to address water affordability challenges:



<https://www.epa.gov/waterfinancecenter/water-affordability>