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May 26, 2026

Dr. Andrew D. Sawyers  
Director, Office of Wastewater Management  
Office of Water  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue NW  
Washington, DC 20460

*Submitted via the Federal eRulemaking Portal:*  
<https://www.regulations.gov/>

**Re: NACWA Comments to EPA's Request for Comment on its Clean Water Act Financial Capability Assessment Guidance (Docket ID No: EPA-HQ-OW-2026-1090)**

Dear Dr. Sawyers:

The National Association of Clean Water Agencies (NACWA) appreciates the opportunity to comment on the U.S. Environmental Protection Agency's (EPA or Agency) Clean Water Act (CWA) Financial Capability Assessment Guidance (FCA or FCA Guidance) in response to EPA's request published in the Federal Register.<sup>1</sup>

NACWA welcomes EPA's work to refine its current FCA Guidance. As a starting point for revised guidance, NACWA strongly supports EPA beginning with its proposed 2020 FCA Guidance,<sup>2</sup> as explained in more detail below.

NACWA and its public clean water utility members have been engaged in advocacy on the FCA and related issues for nearly three decades, as water affordability concerns have grown and evolved. We have collaborated closely with EPA on affordability issues over recent years and are encouraged by—and grateful for—EPA's work to modernize the complex FCA Guidance and to provide clear recommendations to accurately evaluate a community's financial capability. Improving the FCA Guidance will help ensure that clean

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<sup>1</sup> 91 Fed. Reg. 14694 (Mar. 26, 2026).

<sup>2</sup> 87 Fed. Reg. 10193 (February 22, 2023).

water utilities can continue to invest in their communities in a manner that complies with the CWA without imposing undue financial burdens.

EPA's ongoing efforts to refine the FCA Guidance come after many years of scrutiny and criticism from Congress, the National Academy of Public Administration (NAPA), the Agency's own Environmental Financial Advisory Board, and a broad array of other stakeholders. More to the point, they come after years of steadily rising clean water affordability concerns. The average amount a family pays for wastewater services has risen faster than the rate of inflation for the last two decades. Six of the 10 EPA Regions now have at least one utility where the annual cost of wastewater services alone (not including drinking water) exceeds \$1,000, and the national average annual cost for wastewater services of \$650 is expected to rise to nearly \$900 by 2030 based on currently approved rate increases.<sup>3</sup>

There are multiple drivers for rising water costs and customer affordability concerns, and we appreciate EPA's and other stakeholders' acknowledgement that these valid concerns can no longer be minimized. An accretion of new requirements—from extremely costly Combined Sewer Overflow investments starting in the 1990s, to nutrient controls, to looming emerging contaminants—have helped drive up the costs of CWA compliance. This is to say nothing of the costs associated with providing safe drinking water, which is now facing costly new regulatory mandates that will directly impact the finances of the same customers within a community.

At the same time, the country's wastewater infrastructure, much of which was constructed in conjunction with the 1972 CWA with substantial federal support, has aged, requiring ongoing reinvestment to continue delivering the needed services communities rely upon and the environmental and public health protections they deserve and expect. In recent decades clean water utilities have ramped up investments while increasing their rates to better reflect the cost of providing water and wastewater service; meanwhile federal investment in clean water has steadily declined to the point that today, the federal cost share for local water utilities is well below 10 percent.<sup>4</sup> As a result, public clean water agencies must pass the rising costs associated with new federal mandates and ongoing reinvestment along to their customers through even higher clean water bills.

NACWA was pleased with many aspects of EPA's proposed 2020 FCA Guidance and felt that it made important progress to accurately evaluate a community's affordability challenges. The 2020 approach, which was released in final, pre-publication form in January 2021 but subsequently withdrawn by the incoming Administration, shown a light for the first time on the impact that rate increases have on individual households, and on lower-income households specifically, rather than just the median. This was the first time the FCA Guidance

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<sup>3</sup> [2025 NACWA Cost of Clean Water Index.](#)

<sup>4</sup> [Public Spending on Transportation and Water Infrastructure, 1956 to 2014. Congressional Budget Office.](#)

included a measure of the true financial impacts that CWA mandates were having on low-income households.

The 2020 FCA Guidance would be a strong starting point for changes to the current FCA as it reflected years of expert analysis, stakeholder input, and dialogue between EPA, the water sector, municipal organizations, and numerous other interest groups. It responded to many of the recommendations from NAPA's 2017 report, *Developing a New Framework for Community Affordability of Clean Water Services*,<sup>5</sup> as well as a joint report developed by NACWA, the American Water Works Association (AWWA) and the Water Environment Federation (WEF), *Developing a New Framework for Household Affordability and Financial Capability Assessment in the Water Sector*.<sup>6</sup>

Furthermore, the 2020 proposal was the result of valuable collaborative engagement between NACWA's members and EPA leadership and career staff, which began during the Obama Administration and continued into the first Trump Administration. Those conversations sought to advance bipartisan concepts like integrated planning, as well as revising EPA's approach to evaluating financial capability, to empower local governments to have more say over how they spend their limited public dollars to achieve the maximum environmental benefit for their ratepayers' investment while addressing related economic burdens, especially those of low-income ratepayers.

Unfortunately, after the final, pre-publication version was withdrawn NACWA and others in the public clean water sector did not have the opportunity to engage meaningfully on revisions. Instead, in the fall of 2021, EPA briefed the water sector on major, substantive changes. Most concerningly, EPA's revisions masked impacts on low-income households and added new provisions that made the new FCA Guidance more onerous for communities and more subjective than the original 1997 FCA Guidance. Given these and other serious objections, NACWA did not support the new FCA Guidance which was finalized in 2023 (and amended in 2024).

NACWA is encouraged that EPA is willing to re-open the dialogue with all stakeholders to better understand the impacts the FCA Guidance has had on clean water utilities and the communities they serve, as well as to consider potential changes. This dialogue comes at a key time as clean water utilities across the country are facing unprecedented surging costs—and growing challenges keeping their rates within the bounds of affordability for all their customers.

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<sup>5</sup> *Developing a New Framework for Community Affordability of Clean Water Services*, available at: [NAPA\\_EPA\\_FINAL\\_REPORT\\_110117.pdf](#) (last accessed May 7, 2026).

<sup>6</sup> *Developing a New Framework for Household Affordability and Financial Capability Assessment in the Water Sector* (2019) available at: [https://www.nacwa.org/docs/default-source/resources---public/developing-new-framework-for-affordability-report-\(final\).pdf?sfvrsn=dc1f361\\_2](https://www.nacwa.org/docs/default-source/resources---public/developing-new-framework-for-affordability-report-(final).pdf?sfvrsn=dc1f361_2) (last accessed May 7, 2026).

It is critical to recognize that taking a community's financial capability into consideration does not mean lowering standards or impairing environmental health. Instead, allowing for more localized control and flexibility can foster innovation in water quality compliance and provide communities with flexibility to prioritize their highest-impact investments first.

NACWA offers the following responses to the Agency's specific questions on the current FCA Guidance. These comments build on NACWA's prior FCA submissions and are grounded in the experience of NACWA and its members in evaluating and using the existing guidance across diverse communities, including small, rural, and economically stressed service areas. Collectively, these comments are intended to help EPA craft a revised FCA framework that will improve transparency, better reflect local economic conditions, and ensure that affordability considerations are meaningfully incorporated—all while ensuring timely compliance with CWA requirements and that all communities can enjoy safe and reliable water services and healthy waterways.

[Q1: EPA seeks comment on the effectiveness of the LQRI and the LQPI methodologies at measuring the severity and prevalence of poverty and whether an alternative or additional analysis or analyses may better capture economic impacts to small and rural communities and low income households.](#)

NACWA supports EPA's LQRI and Poverty Indicator (PI) approach that was proposed in the 2020 FCA Guidance but subsequently abandoned in the 2022 FCA Guidance. We urge EPA to reconsider and include this methodology in any updated FCA Guidance.

The LQRI considered the costs of compliance measures on economically disadvantaged households by directly considering the lowest quintile incomes in the community – rather than the median. The LQRI was directly responsive to the NAPA report recommendation to: “[f]ocus on the income of low-income users most vulnerable to rate increases rather than Median Household Income.”

From NACWA's perspective, the key question for EPA is whether it was appropriate to abandon the LQRI metric. NACWA does not believe it was, although there is room for improvement. Specifically, as we noted in prior comments, we do not believe that scaling the costs for lowest quintile households based on the national lowest quintile income (LQI) household size of 70.2% of the median income household size is appropriate. The typical size of low-income households may vary widely from community to community, and their water usage and bills may also be higher than more affluent households due to reliance on older appliances or fixtures and spending more time at home. EPA could reconsider this scaling factor and actively encourage use of local demographic and billing data to adjust the billings assigned to LQI households for purposes of measuring burden.

When abandoning LQRI in 2022, EPA instead proposed two approaches that benchmarked the lowest quintile income against the national lowest quintile income. The LQPI metric that EPA eventually adopted in the 2024 FCA Guidance is not a particularly useful indicator

because the comparison to national poverty levels masks, rather than highlights, actual impacts on individual families and households. Absent an evaluation of impacts on low-income households within a specific community, there is no ability to have a meaningful discussion of the actual burden on that community and its ratepayers associated with the required CWA spending being evaluated by the FCA. Looking solely at measures of the prevalence of poverty dilutes the value of the entire assessment, with potentially serious negative consequences for those ratepayers and communities this effort was intended to protect in the first place. The LQPI metric also lacks analytical rigor, including the seemingly arbitrary selection of the 25% threshold for comparing community lowest quintile income to the national value.

It is worth noting that any of the above indicators have an inherent limitation with their inability to assess impacts over extended periods. Major capital projects and compliance initiatives are multi-decade investments where methods like cash-flow forecasting, discussed further as an alternative below, can provide better mechanisms to reflect long-term impacts and dynamic environments.

[Q2: EPA seeks public comment on whether the FCA Guidance should explicitly incorporate cost of living metrics. If yes, how should the analysis incorporate cost of living? What data sources are publicly available to consider cost of living?](#)

NACWA supports explicitly incorporating cost of living considerations into the FCA Guidance, which previous versions have not done. As discussed in prior NACWA comments, assessments based solely on household income or the federal poverty level fail to capture the economic reality faced by low-income households in communities with high costs for housing, food, transportation, and other essentials.

Incorporating cost of living metrics would improve the FCA's ability to assess household-level impacts, particularly in expensive urban areas and regions experiencing rapid cost escalation. NACWA emphasizes that cost-of-living-adjusted metrics should be used as supplemental information to enhance flexibility and local relevance, rather than rigid national benchmarks.

The federal government takes cost of living into account in other contexts, such as the General Schedule Locality Pay Tables, through which the Office of Personnel Management (OPM) adjusts federal base pay scales to reflect local cost of living. OPM's locality pay adjustment is calculated based on data from the U.S. Bureau of Labor Statistics (BLS) Annual National Compensation Survey, which gathers wage data from both government and non-government sectors, and which could offer an approach to taking cost of living into account. Other BLS data, like Consumer Expenditures, may also provide useful insights. Unfortunately, many existing federal data sets are only available for urbanized areas.

NACWA has previously recommended that EPA champion the development and use of poverty measures that reflect local cost of living conditions. One potential approach discussed in earlier comments is a cost-of-living–adjusted poverty prevalence indicator, such as a locally calculated Supplemental Poverty Level (SPL). This approach would require use of Census data and American Community Survey data that capture local costs for essential expenditures. With appropriate data, such an indicator could be calculated at the local level and used to complement existing poverty measures.

Another existing resource to consider is the ALICE Essentials Index, which measures changes over time in the costs of household basics that matter most to ALICE (Asset Limited, Income Constrained, Employed) and poverty-level households: housing, childcare, food, transportation, healthcare, and basic technology. This data is available by state and down to the county level and thus can also provide quality cost of living insights.

**Q3: EPA seeks public comment on the current scheduling benchmarks for communities facing unusually high financial impacts associated with complying with CWA requirements. Any scheduling considerations need to be balanced with the need for the agency to ensure that CWA requirements are complied with in a timely manner. If commentors propose schedule benchmarks, EPA requests examples to support the basis for such benchmarks.**

NACWA supports EPA’s recognition that communities facing unusually high financial impacts may warrant extended implementation schedules, provided that environmental progress continues, and public health and water quality goals are not compromised. NACWA previously supported EPA’s extension of the “High Burden” scheduling boundary as reflected in the proposed FCA benchmarks in 2020, noting that this adjustment is consistent with practical experience across the sector.

In the proposed 2020 FCA Guidance, NACWA also took note that EPA stated that it does not anticipate establishing implementation schedules that exceed the useful life of the community’s water infrastructure assets, which for the purposes of financing is typically 30-40 years. This language did not appear in the 2023 FCA Guidance, and NACWA does not have strong opinions around the concept of tying implementation schedules to the useful life of an asset. But if this concept is included in future FCA Guidance, NACWA would continue to encourage EPA to clarify how assumptions regarding the useful life of infrastructure assets are proposed to be used in relation to setting a community’s implementation schedule.

NACWA reiterates that financial capability exists on a continuum. Scheduling determinations should account for local circumstances, including cumulative water system needs, asset condition, trends in low-income populations, unemployment, cost of living, and competing environmental obligations beyond any specific enforcement actions a community is facing. Supplemental information—such as capital structure, long-term rate trends, and cash flow

analyses—can provide important context to support schedules that balance timely compliance with affordability considerations.

This is why NACWA continues to believe that Alternative 2 in the FCA Guidance—cash flow forecasting—is the best approach to assessing a community’s financial capability. The metrics employed in Alternative 1 can only provide a snapshot in time of a community’s financial capability and potential affordability impacts on its ratepayers. Cash flow forecasting allows for a more dynamic look at financial capability and can better inform scheduling.

As EPA noted in the 2024 FCA Guidance, cash flow forecasting can also help to prevent “rate shock” by examining the necessary rate increases over time at the onset of the capital program being evaluated by the FCA. Cash flow forecasting has been used effectively by NACWA members for many years. While the supporting data and documentation can appear daunting, relatively simple, user-friendly models may be readily constructed to deliver this information, making it more accessible for small or lesser-resourced communities.

Q4: For purposes of WQS analyses, EPA seeks comment on what information or separate guidance would be helpful to determine whether and how states and authorized tribes could account for costs, such as asset management costs, stormwater costs and/or drinking water costs, when characterizing costs that communities are incurring or have made a commitment to invest in.

A community’s financial capability to undertake clean water investment should be assessed in terms of total water costs—not solely wastewater costs—and NACWA supports EPA’s acknowledgment that drinking water and stormwater costs are relevant considerations. Additional clarity from EPA would be helpful for states and authorized tribes regarding how they can account for the full range of costs communities are incurring or have committed to incur. While EPA has allowed these costs to be submitted as supplemental information, NACWA urges clearer guidance on how such costs should be translated into impacts on residential users, especially where different funding mechanisms (e.g., fees versus taxes) are employed.

NACWA strongly recommends that EPA allow for the use of Alternative 2 in WQS decisions. The Agency’s current FCA Guidance states that “EPA does not recommend the use of financial and rate model analysis under Alternative 2 in lieu of Alternative 1 for WQS decisions” A justification was not provided for this impactful position. In our experience, Alternative 2 would provide a better framework for incorporating these other asset management, stormwater and drinking water costs in WQS analyses.

Additional guidance or examples illustrating how these costs may be reflected in indicators or rate model analyses would improve transparency and consistency in WQS-related

decisions such as variances and use attainability analyses. Recognizing documented commitments to long-term capital and asset management investments is essential to accurately characterizing a community's financial obligations and capacity.

**Q5: EPA requests comments on what, if any, additional perspectives or considerations relevant to the implementation of the FCA Guidance are not addressed by the focused questions above.**

NACWA urges EPA to eliminate the Financial Alternatives Analysis (FAA) as currently constructed. The FAA that was added to the FCA process in 2022 represents a step backward in the flexibility, simplicity, and transparency of the FCA Guidance. With its inclusion of the FAA, the 2022 FCA Guidance arguably imposes more onerous, uncertain, and subjective determinations than the original 1997 FCA Guidance which years of revisions have sought to improve.

As NACWA has previously emphasized, financial capability is best assessed through methodologies that reflect actual community conditions, cumulative water-related costs, and forward-looking impacts on households—rather than through rigid, prescriptive analyses that can constrain sound, locally tailored decision-making. The FAA introduced a new level of complexity as a requirement before a community could be determined to be eligible for relief and raises policy questions that are simply not appropriate in the context of the FCA guidance—which is intended solely to evaluate the financial impact of a program or requirement on a community.

That is not to say that many of the components included in the FAA are not valuable. NACWA's members fully support more substantive and sustained local efforts to address water affordability challenges. Some of the elements required to be considered in the FAA such as low-income customer assistance, seeking federal financing, and reviewing rate structures and fees have been integral to the work of NACWA and our members for years. But their ability to reduce customer burdens and their viability and legality differs community to community. Regardless, the FAA requires each element listed to be considered and includes language that in some cases, such as certain rate structures, strongly suggests preferred outcome by EPA. Further, the eventual determination as to whether a community has done enough appears subjective.

These requirements are beyond the scope of the FCA and imposing these additional requirements on utilities to retain a Medium or High Burden designation is inappropriate and legally questionable in the context of a guidance document. Since its appearance in 2022, uncertainties persist as to, once a Financial Alternatives Analysis is completed, whether EPA will concur or not with a permittee's assessment of the feasibility of individual financial alternatives, or the practicality of implementation of all feasible alternatives.

There are numerous complicated considerations necessary for weighing the merits, tradeoffs, and feasibility of issues such as capital financing and rate design, and it is simply

inappropriate to require a community to attempt to explain and justify their deliberations and decisions to EPA and State enforcement staff in the context of a FCA. The FAA was added to the FCA Guidance in 2022 in response to demands from other stakeholders that sought to have the federal government dictate these very local decisions and to require certain criteria to be met before providing the community any schedule relief. These very local decisions should be left to the communities that must live with their impacts for decades to come.

Furthermore, the extent of the financial, economic, legal, political, market, and risk analysis and the associated added cost necessary to conduct these analyses, and fully assess the feasible alternatives, is inappropriate to require of utilities—especially small and rural utilities—through a guidance document. NACWA is open to working with EPA and other stakeholders on exploring ways to help communities evaluate many of the issues raised in the FAA in a manner that more appropriately considers local considerations, but these issues should not be addressed through a mandatory approach in a national FCA Guidance.

## Conclusion

NACWA appreciates EPA's continued engagement on improving the FCA framework and believes that a return to the LQRI-based approach in the proposed 2020 FCA Guidance, the thoughtful incorporation of cost-of-living considerations, flexible scheduling, and the elimination of a mandatory FAA, will lead to fairer, more realistic outcomes for communities and everyday households. NACWA looks forward to continuing to work with EPA to refine the FCA Guidance in a manner that protects the nation's water quality while ensuring equity and affordability for the communities served by clean water utilities.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Krantz', with a large, sweeping underline.

Adam Krantz  
CEO, NACWA