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US Environmental Protection Agency
1200 Pennsylvania Ave, NW
Washington, DC 20460-0001
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RE: NACWA Comments on Request for Information – Greenhouse Gas Reduction Fund (Docket No. [EPA-HQ-OA-2022-0859](https://www.epa.gov/epa-hq-oa-2022-0859))

To Whom It May Concern:

The National Association of Clean Water Agencies (NACWA) appreciates the opportunity to comment on EPA's request for information on the Greenhouse Gas Reduction Fund created by the Inflation Reduction Act. NACWA represents the interests of over 350 publicly owned wastewater treatment agencies nationwide, serving the majority of the sewered population in the United States. NACWA member utilities are responsible for treating the millions of gallons of wastewater produced by their communities each day, while meeting the requirements of the Clean Water Act (CWA).

Opportunities to reduce greenhouse gas emissions through investment in clean water utilities are significant. Recent studies estimate that freshwater sources and water/wastewater services account for at least 10 percent of global greenhouse gas emissions.¹ Wastewater treatment alone contributes about 3.5 percent. These numbers underscore that the essential work of wastewater management is an energy-intensive process – and also a prime opportunity for emissions reductions and reduced environmental impact in communities nationwide, pointing to a clear opportunity for the Fund.

Clean water utilities generate greenhouse gases directly through the wastewater treatment process and indirectly through their use of power produced by fossil fuels. These emissions can be reduced in innovative ways, for example, by using the methane and biosolids produced by wastewater treatment to generate renewable energy that is used at the

¹ WATER'S NET ZERO PLUS: A Call to Action for Climate Mitigation, 2022. Available: <http://uswateralliance.org/sites/uswateralliance.org/files/US%20Water%20Alliance%20Water%27s%20Net%20Zero%20Plus%20Vision.pdf>

utility or returned to the grid or pipeline. Utilities can also reduce their reliance on external fossil fuel energy sources by using the thermal energy available in wastewater and improving the energy efficiency of their operations. And renewable energy technologies like solar can be installed at utility facilities to leverage their rooftops and open space. The best solutions and opportunities often vary by community and the scope of the utility's operations.

NACWA is excited by the opportunities presented through the Greenhouse Gas Reduction Fund which we believe can assist utilities in harnessing the energy resources available in wastewater, reducing the emissions associated with wastewater treatment, and helping utilities become more resilient. Utilities are sometimes hesitant to invest in these types of projects, despite their environmental benefits, due to the length of time needed for the investment to pay off through energy cost savings. The Fund can make these projects more attractive and less risky for utilities. It can create new opportunities to advance innovative projects which may significantly reduce the greenhouse gas impact of wastewater treatment and bolster the role of clean water utilities as environmental stewards in their communities.

Given the significant opportunity that exists to reduce greenhouse gas emissions through investing in wastewater, NACWA requests that EPA structure the Fund to enable public wastewater utilities to fully qualify for direct and indirect funding. The Association's responses to EPA's Request for Information on specific issues are below.

Section 1. Low income and Disadvantaged Communities

Public clean water agencies are anchor institutions that play a vital role not only in providing environmental and public health protections to local communities, but also in developing resilient infrastructure and advancing environmental justice.

NACWA applauds the provision of \$8 billion for competitive grants to eligible recipients to support investments in low-income and disadvantaged communities that reduce or avoid greenhouse gas emissions and other forms of air pollution. This funding should advance environmental justice by helping address funding, financing, and technical challenges these communities face. Similarly, the \$7 billion for competitive grants to municipalities, States, Tribal governments, and eligible recipients will direct resources to low-income and disadvantaged communities for zero-emission technologies and other greenhouse gas emissions reduction activities—generating significant environmental benefits which might not otherwise be realized.

In defining “low income” and “disadvantaged” communities, we encourage EPA to allow local communities and regions to submit information to federal agencies about how a project will benefit marginalized, underserved, or overburdened communities. National and state screening tools will be helpful to the Agency, but communities and potential fund recipients should also have a clear pathway to provide other input that can demonstrate how a project will advance the objectives of reducing emissions and improving environmental quality in low income and

disadvantaged communities. Neither air nor water recognize neighborhood or political boundaries, so potential project benefits may not be easily captured by common screening mechanisms. In considering what constitutes a low income or disadvantaged community, we encourage the Agency to not be limited by governmental boundaries and ensure that pockets of disadvantage or poverty, such as individual neighborhoods within a more affluent region, are considered.

NACWA also encourages EPA to ensure that communities that have been impacted by natural disasters are considered, where projects could mitigate climate impacts and improve resilience.

Section 2: Program Design

NACWA's members are public wastewater utilities that could leverage the Fund to reduce greenhouse gas emissions by increasing their energy efficiency and developing their renewable energy sources. While some utilities partner with the private sector on projects, others prefer to avoid private funding, and these utilities should have equal access to the grant funds.

NACWA's public clean water utility members must carefully consider the use of their ratepayers' funds in any project. Since many energy-related projects have a long pay-off period – and utilities' primary obligation is meeting their requirements for wastewater treatment under the CWA – these projects may be a lower priority for utilities. *The Fund could therefore be vital to realizing the greenhouse gas reduction opportunities and the ancillary environmental and community benefits available through clean water utility energy projects.*

Small- and medium- sized utilities often do not have the financial and technical resources to pursue energy generation and efficiency projects. They may not know where to start, such as conducting greenhouse gas inventories to assess how emissions can be reduced. Yet their opportunities and impacts could be significant. Keeping the program as simple as possible and providing technical assistance with the application process for these utilities and communities would help address these obstacles. NACWA supports EPA's efforts to provide technical assistance for the Fund through the Environmental Finance Centers, as this can provide a one-stop resource for communities seeking funding and help communities compare and potentially pair together multiple funding streams to advance a project.

In designing the program EPA should consider opportunities for streamlining application materials and requirements to the greatest extent possible with other EPA programs. Within the water space these include the BIL-supported SRFs, the WIFIA program, and related water grants and loans through USDA. Communities, working with their State, EPA, and/or technical assistance providers may be able to develop a project financing package that spans the Fund and other programs to meet project needs. Aligning cost-share or repayment requirements across programs could ease use of these funds by communities. Similarly, these programs are also under the purview of Build American, Buy American, and to the greatest extent possible aligning procedures to demonstrate compliance or seek waivers across programs will help reduce headaches for large projects that

might have multiple funding streams including local dollars, federal infrastructure programs, and the GHG Reduction Fund.

EPA should ensure that program design includes opportunities for inclusive community engagement in projects considered and selected for funding. This will also help ensure that low-income and disadvantaged communities can participate in and benefit from the Fund.

Section 3: Eligible Projects

Given the nexus between water treatment and energy, and that wastewater treatment is a vital service in communities large and small around the country, we believe the opportunity to advance innovative, clean energy generation and efficiency investments at clean water utilities through this Fund is too big to miss. In fact, many communities have identified clean water utilities as integral partners in meeting their climate action plans and sustainability goals.

NACWA urges EPA to specifically consider how municipal, not-for-profit clean water utilities can engage in the Fund as the Agency develops its guidance. Not only are the greenhouse gas reduction opportunities significant, but these investments also support more resilient critical infrastructure, and water affordability as money not spent on utility energy bills means savings for municipal utilities and their customers, and dollars that can be spent on other aspects of water quality improvement.

NACWA applauds the broad eligibility within the statute in terms of supporting investments that reduce greenhouse gases and other forms of air pollution. This broad definition allows the most impactful and innovative projects to bubble up from communities. In designing program guidance, NACWA encourages EPA to maintain this flexibility in terms of eligible projects, with an eye on impact in terms of emissions reduced or avoided, in lieu of identifying specific project types.

In the municipal clean water sector, appropriate solutions will vary by utility and by a community's unique needs. The life stage of a utility's systems, the technologies currently in use, the facility layout, watershed and service area dynamics, and the scope of operations – such as wastewater treatment alone or water recycling and reuse – will impact the appropriate solutions.

That said, NACWA wants to provide a sense of what types of clean water utility projects might be funded that would increase on-site renewable energy generation, reduce reliance on fossil fuel power, and improve energy efficiency. Types of projects include construction or improvement of anaerobic digesters for biosolids to increase production of biogas, which can be used directly by the utility, used as natural gas by external entities, or used to generate electricity. Investments to support co-digestion of food waste with biosolids can significantly increase biogas production and keep food waste out of landfills, where their decomposition contributes to greenhouse gas emissions. Small communities could particularly benefit from federal funding for biogas and food

waste co-digestion projects, since it is more difficult for small utilities to make the investments needed to produce, capture, and beneficially use biogas.

We also hope EPA will fully consider unique opportunities such as wastewater recycling and reuse projects that help create myriad energy and water benefits. Water scarcity is an ongoing issue in parts of the US, and water reuse is the most reliable new source for potable water. But the treatment processes for water reuse are energy intensive, resulting in significantly higher power consumption and costs. The wastewater sector needs the ability to supplement peak demand and to use stored power during high energy cost periods. Energy generation and storage projects should be eligible and will help keep water affordable for disadvantaged communities.

Energy efficiency projects should also be eligible, since clean water utilities are significant users of electricity. Replacing aging equipment with new, more energy efficient models can be a relatively straightforward way for utilities to cut their electricity usage and reduce the associated greenhouse gas emissions from electricity production. Replacing older equipment such as generators can have the additional benefit of making utilities more resilient to power outages, ensuring vital treatment processes can continue during power outages or storms.

Utilities that can power their equipment with the energy they produce on-site are more resilient to power outages as well as energy cost increases. Power access and reliability is an issue directly connected to climate resiliency and environmental justice.

Renewable energy generation opportunities that are not specific to the clean water sector, such as solar, can also be deployed at clean water utilities' facilities and rooftops. Fund guidance should encourage the use of Funds at local governmental facilities like wastewater treatment plants.

Given the diversity of potential opportunities and uses, technical assistance from the Department of Energy (DOE) would be welcomed to help utilities identify the most beneficial projects for greenhouse gas reduction. Several DOE programs exist to help utilities identify opportunities to reduce their energy use, and these programs could potentially be leveraged alongside the Fund to help utilities evaluate options and apply for grants through the Greenhouse Gas Reduction Fund.

As noted above, public clean water agencies' fiscal duties to their ratepayers and their obligations under the Clean Water Act can often mean that energy generation and energy efficiency opportunities are necessarily a lower priority than the day-to-day responsibility of the wastewater treatment plant, despite the significant opportunities around greenhouse gas reduction and community benefits that exist. The GHG Reduction Fund, by providing grants, subgrants, and loan financing can help fill this gap between competing priorities, near-term/time-specific obligations, and generational opportunities to help reduce the climate impact of wastewater treatment in the U.S. and usher in a new era of clean water innovation.

Section 4: Eligible Recipients

NACWA is pleased to see municipalities listed as eligible grantees under the \$7 billion Zero-Emission Technologies Fund. Many public clean water agencies are units of local government, while others may be regional entities comprised of multiple municipalities or counties, or special districts created by the States. We urge that structure of the public clean water agency does not hinder its participation. We likewise urge public clean water agencies of all structures to be eligible as indirect recipients across the entire \$27 billion Fund.

Potentially, a direct eligible recipient might consider specializing on the unique opportunities for greenhouse gas reduction in the wastewater treatment space. The entity could leverage expertise and resources across a region or the entire country to seek out opportunities to deploy impactful greenhouse gas reduction approaches and technologies around the U.S.

Section 5: Oversight and Reporting

In considering metrics and indicators to track program outcomes, EPA should take a systems-view to quantifying reductions in greenhouse gas emissions or air pollution, including emissions directly avoided by switching to renewable sources or improving efficiency; emissions not released by capturing methane or carbon dioxide otherwise generated in the treatment process or in biosolids management; emissions avoided through select nutrient management approaches; emissions avoided through diverted food waste or other streams to the treatment facility. EPA may also wish to consider tracking ancillary benefits from greenhouse gas reduction investments to communities such as tons of materials diverted from landfills; improved resilience of critical infrastructure to extreme storms; and local jobs or workforce training provided.

Thank you for the opportunity to submit these comments on the Greenhouse Gas Reduction Fund. NACWA has established a Climate & Resiliency Committee comprised of public and private water sector executives who would be happy to share their expertise with EPA where helpful as the agency works to implement this program. Please do not hesitate to reach out with any questions.

Sincerely,



Kristina Surfus
Managing Director, Government Affairs