

**U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
SUBCOMMITTEE ON SUPERFUND, WASTE MANAGEMENT, AND
REGULATORY OVERSIGHT**

**“OVERSIGHT OF EPA UNFUNDED MANDATES ON STATE, LOCAL AND
TRIBAL GOVERNMENTS”**



**TESTIMONY OF GEORGE S. HAWKINS, ESQ.
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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

**TUESDAY, JUNE 7, 2016 AT 2:30 P.M.
406 DIRKSEN SENATE OFFICE BUILDING**

Good afternoon Chairman Rounds, Ranking Member Markey and distinguished members of the Subcommittee on Superfund, Waste Management, and Regulatory Oversight. My name is George S. Hawkins and I am the CEO and General Manager of the District of Columbia Water and Sewer Authority, more commonly known as DC Water. It is a pleasure to provide testimony today regarding the Environmental Protection Agency (EPA) regulations' impact on state and local governments.

DC Water provides more than 672,000 residents and 17.8 million annual visitors in the District of Columbia with retail water and sewer services. DC Water's total service area is 725 square miles and includes wastewater treatment for an additional 1.6 million people living in Montgomery and Prince George's counties in Maryland, and Fairfax and Loudoun counties in Virginia. We are one of the few "one water" utilities in the country, providing drinking water, waste water and stormwater services from one enterprise, including a full accounting of all associated costs on one bill to the customer.

Our drinking water is sourced from the Potomac River and is treated on our behalf by the U.S. Army Corps of Engineers' Washington Aqueduct. After treatment, drinking water travels through 1,308 miles of interconnected pipes, four pumping stations, five reservoirs, three elevated water tanks, nearly 44,000 valves and 9,450 fire hydrants. The median age of the District's water mains is 79 years old and nine percent of this infrastructure dates back to the period between the Civil War and the 1890s. We store 61 million gallons of water throughout the District at eight facilities based on pressure and elevation.

After drinking water is used in our service area, it is transported through our 1,900 miles of sewer system to the 150-acre Blue Plains resource recovery facility at the southern tip of the District. There we treat an average of 300 million gallons of used water per day. After the water receives treatment it is returned to the Potomac River.

DC Water is regulated by EPA Region 3 for Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) compliance. From an environmental and public health perspective, these seminal pieces of legislation have brought forth tremendous benefits to our country. Growing up in the suburbs of Cleveland, Ohio, I recall visiting the Cuyahoga River on a class field trip in 1969. I will never forget seeing the surface of the river, which looked like a finger painting—water swirling with colors and powerful aromas. The same year of my visit, the Cuyahoga caught fire from the sparks of a passing railcar.

- Today, thanks to the Clean Water Act, many of the rivers that course through our major cities are healthy and thriving.
- Today, thanks to the Safe Drinking Water, the overwhelming majority of residents of this country have safe, reliable drinking water at the tap 24 hours a day, 7 days a week and 365 days a year.

In my view, this outcome is one of the great public policy accomplishments of the last century and one of the often overlooked miracles of modern society. With the perspective of where we have come from and the challenges we face as a nation, these twin statutory towers of the clean water world have been phenomenal successes.

Yet in my experience we need to be particularly vigilant and mindful as we monitor our successes, for unlike a failure, there is no automatic update or course change. In my judgment, it is the success of these statutes that highlights the need to be flexible and thoughtful to ensure that we continue to drive success in the future. We still have water quality challenges to overcome and new threats to clean water on the horizon.

Currently, DC Water is in the process of implementing two massive environmental projects with a total cost approaching \$4 billion. Under the terms of a consent decree between DC Water, the District of Columbia, the U.S. Department of Justice and EPA, DC Water is implementing the \$2.6 billion Clean Rivers Project. The first phase of the project is underway and involves constructing a massive underground tunnel system to control combined sewer overflows to the Anacostia River. These overflows, which currently discharge about 1.3 billion gallons of diluted sewage to the Anacostia in an average year, will be reduced by 98 percent when the tunnel system is completed in 2022. The later phases of this plan include green infrastructure and construction of similar tunnels to control overflows into the Potomac River and Rock Creek.

Our second massive undertaking involves removing nutrients from our treated used water at DC Water's Blue Plains facility. EPA's discharge permit for the facility has required us to dramatically reduce the level of nitrogen in the treated water we discharge into the Potomac River which leads to the Chesapeake Bay. These reductions have been achieved through technological and engineering projects. As the nitrogen limits are further reduced, the price increases exponentially. The recently completed enhanced nitrogen removal project cost approximately \$1 billion and is at the limit of technology.

DC Water has received some federal funding for these initiatives, but the overwhelming majority of these projects are funded by our ratepayers and wholesale customers. For District of Columbia ratepayers, which includes the federal government, rates have more than doubled in the last 7 years. Beginning in October of next year, the average monthly bill for a residential customer will for the first time be over \$100. Projects of this scale require us to issue long-term debt financing, which means that our rates will continue to increase for the foreseeable future.

Given the declining role of the federal government in funding water infrastructure projects, water utilities like DC Water must account for all of our costs in the rates that we charge our customers. The price of clean, safe and reliable water is increasing and so is the need to replace aging infrastructure. Water is a resource that has been woefully undervalued and in an age of \$200 cable and phone bills, we believe that the value of water should reflect the fact that it is absolutely fundamental to our public safety and health.

I support full-cost accounting for water services that enables DC Water to fund our operating and capital needs, and enables our customers to make appropriate choices on water use and conservation. I state this view with two reservations.

First, as the leader of a major metropolitan water authority, I am deeply concerned about the impact our rising rates have on our most economically disadvantaged customers. As you well know, the District of Columbia is an urban area with a very high cost of living and a sizeable low income population. Unfortunately, our affordability analyses have shown that many of these customers struggle to pay their water and sewer bills currently, and will be even more challenged in the coming years. Although I focus on the consequence of this issue to water systems below, I am certainly mindful of the moral quandary of the financial challenges a person has for a service that is essential to life, not an amenity.

The practical consequence to the water utility is that many jurisdictions are not able to raise rates to adequately cover their operational and capital needs – because of the clear affordability limitations of their lowest income customers. With constrained income, utilities will nonetheless undertake federally mandated work first – reducing focus on critical investments in the pipes, pump stations, fire hydrants and other aspects of the system that are critical to providing service to the customer. The condition of these assets continues to deteriorate, service falters, and utilities risk falling into a downward spiral of poorer service, less support from customers, and then less support for rate increases, generating the next revenue squeeze and the next downward spiral.

Second, I am also concerned that the success of our nation's water statutes pushes us to continue doing what we have always done, just more so, to a point of drastically declining benefits at the margin, in comparison to drastically increased costs. As I have explored in detail in the article "Cleaner Water Act" in the Journal "Democracy," DC Water faces enormous escalation of costs in reducing nutrient discharges aimed at the important goal of restoring the health of the Chesapeake Bay. As I wrote about the cost changes between the year 2000 and 2015, "The capital cost of infrastructure to remove one pound of nitrogen has increased about 380 times, and in the last iteration alone, we achieve one-sixth the nutrient reduction for 60 times the unit cost of the first incremental reduction." I believe there is agreement that Chesapeake Bay goals are well-intentioned and deserving but I believe they could be met with a more flexible and holistic watershed approach that would include regulating non-point sources like agriculture.

The increasing cost of water services and its impact on our economically distressed neighbors does not mean we should rollback the public health and environmental benefits the SDWA and CWA have achieved to date. During my tenure at DC Water, EPA has made progress in engaging localities to consider the fiscal impact their regulations place on state and local governments. Specifically, EPA's *Integrated Municipal Stormwater and Wastewater Planning Approach Framework* provides them with the flexibility to consider community affordability and financial capability when making CWA determinations.

Additionally, EPA Region 3 recently negotiated with DC Water to modify our \$2.6 billion 2005 consent decree for combined sewer overflows. As part of these negotiations, EPA thoughtfully considered the economic burden the previous 20-year construction timeline placed on our low income customers. The modified agreement extends the later stages of the project which allows DC Water to spread our rate increases over a longer period of time.

I am confident that no one intends for regulatory requirements to feed into a cycle that generates poorer service and diminished public support for water infrastructure. I am also confident that a clear solution exists: the formation of a federal assistance program for low income customers for their water bills. An example of a similar assistance program exists in the long-standing and long-successful federal program to subsidize heating assistance (known as LIHEAP – Low Income Heating and Energy Assistance Program). Providing an income-based assistance program for water utility bills would provide a safety net for our poorest customers to help with this essential service, enabling water utilities to increase rates for other ratepayers who can afford to help invest in water services and infrastructure. With a safety net, clean water initiatives can be accomplished with parallel investments in water infrastructure and service improvements. Ironically, the existing LIHEAP program provides discounts for low income households that ultimately subsidize the operations of investor-owned gas and electric utilities. No such benefit is currently provided by the federal government for water and sewer services, which are equally if not more essential, and would benefit water utilities that are primarily publicly-owned and operated.

I commend the Subcommittee for holding this hearing and bringing attention to the impact federal regulations place on local governments, and ultimately, all residents of this great nation. A balance must be achieved between protecting the environment and protecting our most vulnerable from rising costs. These endeavors are not mutually exclusive and we look forward to working with the Subcommittee on these matters.

Thank you for this opportunity to provide our perspective and I welcome any questions you may have.