



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

OFFICE OF
WATER

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DWSRF 03-03

MEMORANDUM

SUBJECT: Use of Drinking Water State Revolving Fund (DWSRF) Program Funds for Water Efficiency Measures

FROM: G. Tracy Mehan, III /s/
Assistant Administrator

TO: Water Division Directors
Regions I-X

In September 2000, the Clean Water State Revolving Fund (CWSRF) program released a memorandum entitled "Policy on Using the CWSRF on Water Efficiency/ Conservation Measures" (CWSRF 00-13). The purpose of this memorandum is to clarify the use of Drinking Water State Revolving Fund (DWSRF) funds by states and water systems to implement water efficiency measures.

Background

Recent water shortages across the United States have served to remind states and public water systems that implementing water efficiency measures can play an important role in supplying safe drinking water to customers. As a result, we have received questions from stakeholders on what types of water efficiency projects and activities are eligible for funding under the DWSRF program. The DWSRF program can be an important tool in providing financial assistance to help states and systems initiate a variety of water efficiency measures.

Eligibilities Under the Loan Fund

The DWSRF program can make loans to public water systems for the following types of water efficiency projects, provided that certain conditions are met (as described below):

- < Installation of meters;
- < Installation or retrofit of water efficient devices such as plumbing fixtures and appliances;

- < Implementation of incentive programs to conserve water (e.g., rebates, tax breaks, vouchers, and conservation rate structures); and
- < Installation of dual pipe distribution systems as a means of lowering costs of treating water to potable standards.

The DWSRF program can provide loans for the installation of water meters to encourage the efficient use of water. Similarly, the DWSRF can provide loans for the installation or retrofit of water efficient devices, such as plumbing fixtures and appliances.

Incentives such as rebates, tax breaks, vouchers, and conservation rate structures can encourage water users to install water efficient equipment, appliances, or plumbing fixtures, repair water leaks, or implement sound landscape practices. The DWSRF program can provide loans for the cost of administering incentive programs, as well as the costs of the incentives themselves if the costs are included as part of a larger project (similar to planning and design costs included as part of a loan).

The DWSRF can provide loans for the installation of dual pipe distribution systems (potable and non-potable) as a cost-effective means of treating water to potable standards. If the primary purpose of the project is for water conservation, then, to the maximum extent practicable, reclaimed water must be used for the second pipe (instead of raw water). As with all loans, the project must be sized only to accommodate a reasonable amount of population growth expected to occur over the useful life of the facility. The primary purpose of the project cannot be to serve future population growth.

Eligibilities Under the Set-asides

In addition to providing loans to water systems for water efficiency measures, states can use their DWSRF set-aside funds to promote water efficiency through activities such as:

- < Development of water conservation plans;
- < Technical assistance to systems on how to conserve water (e.g., water audits, leak detection, and rate structure consultation);
- < Development and implementation of ordinances or regulations to conserve water;
- < Drought monitoring; and
- < Development and implementation of incentive programs or public education programs on conservation.

Water Conservation Plans

Finally, the Safe Drinking Water Act (SDWA) gives states the option of requiring a system to submit a water conservation plan as a condition of receiving DWSRF assistance (SDWA §1455). States may also choose to award bonus points in their priority ranking to systems that have water conservation plans or that implement water efficiency measures. EPA guidelines for developing a water conservation plan can be found on the EPA website at <http://www.epa.gov/owm/water-efficiency/webguid.html>. The guidelines include a variety of planning steps and recommendations for water conservation measures, each geared to different system sizes and different water conservation needs and goals.

I hope this memo helps clarify the appropriate use of DWSRF funds for implementing water efficiency projects and activities. If you have any further questions, please feel free to contact Bill Diamond, Director, Drinking Water Protection Division, at (202) 564-3751.

cc: Cynthia Dougherty, Director, Office of Ground Water and Drinking Water
Jim Hanlon, Director, Office of Wastewater Management