



April 4, 2025

The Honorable Jodey Arrington
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Brendan Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Arrington, Chairman Smith, Ranking Member Boyle and Ranking Member Neal:

As you work to identify offsets for a comprehensive tax reform package, the undersigned organizations urge you to maintain several Inflation Reduction Act (IRA) tax credits related to energy production and vehicle fleets that directly and indirectly support cost-effective infrastructure investments and water affordability for the nation's water system ratepayers.

As a result of its mission to provide services essential to public health and economic vitality, public water systems require a significant amount of energy to treat and distribute water. The critical operations of both drinking and wastewater treatment facilities are energy-intensive operations, and energy usage can account for as much as 40 percent of drinking water utilities' operating costs. By utilizing targeted tax credits, water utilities can significantly reduce their operational costs and pass those savings on to ratepayers.

Importantly, the IRA included mechanisms known as elective pay, or direct pay, that ensure that publicly owned water systems can fully leverage federal incentives without the need for complex and burdensome financing arrangements. The elective pay mechanism enables state and local governments and their subsidiaries, including public water systems, to receive financial benefits for the production, use, and construction of certain technologies. Public water systems provide services to an overwhelming majority of the nation's population, so maintaining the elective pay mechanism ensures that the nation's water utilities receive incentives to drive innovation and lower energy costs.

Specifically, these four IRA tax credits have the potential to dramatically reduce water systems' operating costs, reducing their reliance on federal subsidies and lowering bills for ratepayers:

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- **Section 48E** – This credit supports utilities’ on-site electricity generation, reducing operational costs and enhancing energy security and reliability.
- **Section 45Y** – This credit provides financial incentives for utilities to produce energy from resources such as biogas and micro-hydropower. This helps wastewater treatment plants, for example, utilize anaerobic digesters to generate biogas, while reducing operational costs.
- **Section 45W** – This credit enables water utilities to optimize their vehicle fleets, reduce fuel cost, and minimize operating expenses.
- **Section 30C** – Similarly, this credit supports the installation of infrastructure for utilities’ modern vehicle fleets, increasing efficiency and generating additional savings that can be passed on to the public.

Furthermore, we encourage the maintenance of the prevailing wage and apprentice (PWA) and domestic content requirement bonus credits, as currently maintained in law. These requirements and bonus credits promote job creation, employee retention, and domestic manufacturing by supporting well-paying American jobs and investing in alternative energy industries. These investments in American jobs and domestic energy markets strengthen both the national and local economies.

We urge Congress to uphold these critical tax credits through direct pay, ensuring that publicly owned water utilities can continue to invest in innovative, efficient infrastructure that delivers cost savings, enhances energy security, and provides reliable, affordable water services to communities across the country.

Thank you for your consideration of these efforts to advance American energy production and support the essential work of public water utilities.

Sincerely,

Association of Metropolitan Water Agencies
National Association of Clean Water Agencies
National League of Cities
National Water Resources Association
U.S. Conference of Mayors
Water Environment Federation