

ALASKA DRINKING WATER FUND

STATE WATER LOAN PROGRAM

INTENDED USE PLAN - Amended FINAL

FFY14 Grant Allotment

State Fiscal Year 2015



Submitted to the U.S. Environmental Protection Agency

By

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Division of Water

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ALASKA DRINKING WATER FUND

State Drinking Water Loan Program

Intended Use Plan (IUP)

FINAL - December 2014

AMENDED ACTION

The 2015 Alaska Drinking Water Fund (ADWF) Intended Use Plan (IUP) was amended upon request by system borrowers to include new projects that are in need of immediate funding to meet project scheduling. Two new and one revised projects were added with one listed on the Project Priority List and the other two listed on the Project Priority Planning List. Borrowers submitting projects were Juneau, Nome and ALPAT Utilities, and the total dollar amount of these projects is \$5,888,500. Other amended actions include updated financials to provide current total available loan funds.

PROGRAM OVERVIEW

The purpose of the ADWF is to make low interest loans available to Alaskan municipalities and other qualified entities for financing drinking water projects.

Loans can finance up to 100 percent of a project's eligible costs for planning, design and construction. In addition, loans can serve as local match for the Alaska Department of Environmental Conservation (DEC) Municipal Water, Sewer and Solid Waste Matching Grants Program or most other federal or state funding sources.

A range of projects and associated costs are eligible for funding under the ADWF loan program, as described in Title 18, Chapter 76 of the Alaska Administrative Code.

Examples of Projects Fundable Under ADWF

- Planning and Design of Facilities
- Water Source Rehabilitation
- Water Treatment Facilities
- Water Storage Facilities
- Water Transmission and Distribution Systems

The federal government, through the Drinking Water State Revolving Fund (DWSRF) Program, provides the primary source of funding for the ADWF. In turn, the ADWF funds planning and construction for eligible drinking water projects throughout the state. Other eligible activities funded this year include:

Other Activities Funded by the ADWF

- Administration of the Fund
- Small System Technical Assistance
- Capacity Development Program
- Operator Training and Certification Program
- State Drinking Water Program Management

- Drinking Water Protection: Wellhead Protection Program, Source Water Assessments, and PWS Security and Emergency Preparedness

PROGRAM UPDATES

DEC continues to make updates to the Alaska Drinking Water Fund IUP for providing better service to funding recipients and meeting program goals. For this year's IUP, many new changes have been put forth to increase the programs pace which include but are not limited to, executing loans sooner, disbursing project funds more quickly, and having projects go into repayment status earlier after close out. Additionally, some reformatting of the IUP has been made with the most notable change being the consolidation of the project descriptions into the Project Priority Lists. These items and others will be further discussed in detail in the IUP.

PROGRAM GOALS

ADEC administers the ADWF, guided by the following long and short term goals:

Long Term

1. Protect public health, minimize the potential for drinking water contamination, and promote the completion of projects and non-project activities using best management practices and affordable and applicable technology.
2. Support the state's goal of ensuring that all public water systems in Alaska provide water that is safe to drink.
3. Fully implement a Capacity Development program for increased public health protection and public water system compliance with Safe Drinking Water Act requirements.
4. Develop and effectively manage a self-sustaining loan program, to facilitate compliance by all public water systems with the Safe Drinking Water Act (SDWA)(42 U.S.C. 300f – 300j) and the State of Alaska's Drinking Water Regulations (Title 18, Chapter 80 of the Alaska Administrative Code).
5. With implementation of new loan program management software, ADEC will consider a more aggressive lending policy based on the needs of the communities.
6. Commit to entering project and benefits data into the EPA Drinking Water National Information Management System (NIMS) and Project and Benefits Reporting (PBR) System.
7. New for this year is the commitment of additional funds made available to borrowers. Commitment of additional funds is being made available to borrowers based on estimated repayment schedules of future years. This calculation is based on the demand for loan disbursement of funds that has historically been spread over at least four years after loan execution. Additionally, the inclusion of two and a half years' loan repayments better matches the supply of funds to the demand for funds. Failure to provide loans at a level that can be supported by the program means fewer projects completed and higher balances of DWSRF cash remaining unused. Future calculations of funds available may be adjusted up or down as conditions warrant.
8. Starting in FY15 DEC will supplement the 4 percent administrative set aside currently used to pay for administrative expenses for the program operations with the annual loan fee account. DEC anticipates running the program completely with the loan fee account in future years and will bank the 4 percent allowed under the capitalization grant for administrative use. Additionally, in FY16 DEC plans to fully utilize the loan fee account to cover all administrative costs, which upon implementing this action we will release available 4% funds to our Operator Assistance Program (OAP) and the OAP will release their use of the 15% set-aside to the Environmental Health Division for Capacity Development.

Short Term

1. Provide low interest loans of \$13.1 Million dollars for planning, design and construction of facilities that will reduce acute health risks and provide safe drinking water.
2. Implement new requirements for American Iron and Steel in the program.
3. Provide to the extent there are sufficient eligible project applications and funds available, a funding subsidy incentive for projects meeting at least one Green Project Reserve category for water or energy efficiency improvements.
4. Provide at least 20% of the capitalization grant amount as a form of funding subsidy.
5. To show commitment in promoting sustainability of drinking water facilities, DEC in direction provided under EPA's Sustainability Policy has added sustainable criteria to project scoring and ranking.
6. DEC will continue to develop and implement a web based access system for incorporating a new financial and project management software package system for better program administration. This work will include the addition of adding a new online loan payment request system.
7. Provide \$521,855 to the Wellhead Protection Program and overall drinking water protection activities to implement and assist owners, operators and communities in the development and implementation of drinking water protection programs throughout Alaska. EPA Region 10 approved Alaska's Drinking Water Protection Program (combined Wellhead Protection and source water assessments of public water systems, April 4, 2000.)
8. Provide \$176,900 for operator training and technical assistance for communities with a population of less than 10,000 through Small Systems Technical Assistance Program.
9. Provide \$804,895 to Capacity Development to fund activities to support and improve the technical, managerial and financial capacity of public drinking water systems (PWS) in Alaska.
10. Provide \$884,500 to supplement State Drinking Water Program Management for SDWA compliance, continued primacy implementation, and public health protection activities.
11. Complete the next capitalization grant agreement with the U.S. Environmental Protection Agency (EPA) for federal fiscal year (FFY 14) Drinking Water Fund Allocation.

PROGRAM FUNDING – Funds Available

During State Fiscal Year (SFY) 15 a total of \$13.1 million dollars is expected to be available for loans. The following table summarizes the monies contributed and the commitments and expenditures made since the inception of the program. The difference between funds available and total program commitments is the amount available for project loans in SFY 15. ADEC proposed to provide all \$13.1 million in the form of direct loans to eligible drinking water systems. No other forms of assistance, such as insurance guarantees, will be offered.

Alaska Drinking Water Detailed Summary

As of November 15, 2014

Funding Sources:

Federal Grants		\$ 171,820,656
FFY14 Federal Capitalization Grant		8,845,000
FFY14 State Match Appropriation		
Bond Proceeds		1,769,000
State Match, prior years		
General Funds	\$ 14,137,600	
Bond Proceeds	20,220,180	
Total State Match		34,357,780
Investment Interest		12,383,440
Repayments		
Loan Principal	\$ 62,614,605	
Loan Interest	11,560,696	
Total Repayments		74,175,301
Projected 2014 Repayments and Investment Earnings		500,000
Projected Repayments FY2015		5,385,582
Projected Repayments FY2016		9,634,269
Transfer from Fee Account		448,000
Transfer from ACWF (2007)		29,000,000
	Total Funding	\$ 348,319,028

Program Commitments:

Loan Commitments		
Standard Loans Executed	\$ 237,711,796	
Standard Loans Pending	14,147,082	
Disadvantaged Assistance Loans Executed	7,821,000	
Loans containing subsidies	20,308,045	
Total Loan Commitments		\$ 279,987,923
Previous Bonding and Transactions Costs		18,491,282
Bonding and Transaction Costs to be Paid		1,774,000
Program Set-Asides		
Administrative Set-Aside	6,871,784	
Source Water Assessment Program	2,682,000	
Capacity Development	7,761,255	
State Drinking Water Program Management	9,949,100	
Wellhead Protection Program	5,338,921	
Small System Technical Assistance	1,952,189	
Total Program Set-Asides		34,555,249
Transfer from Fee Account		448,000
	Total Commitments	335,256,454
	Net Available for Loans	\$ 13,062,573

*Loan Applications with MAT, agreements pending

The following describes more fully each item in the previous table:

Funding Sources:

- “Federal Grants” is the total amount of federal EPA capitalization grants awarded to Alaska up to FFY 14.
- “FFY 14 Federal Allocation” is the amount of federal funding available to be requested in the grant application to be submitted to EPA.
- “FFY 14 State Match Appropriations” includes state funds provided as match for the grant which includes both general funds and bond receipts.
- “State Match, prior years” includes all the state match funding provided in years prior to FFY 14. It includes both general funds and bond proceeds.
- “Investment Interest” includes interest received on funds invested in the ADWF. These funds are listed in the amount available at the end of SFY 14.
- “Repayments” is the total amount of principal and interest repayments made by communities who have borrowed monies from the ADWF.
- “Projected 2015 Repayments and Investment Earnings” is the amount of interest payments, principal repayments and investment earnings anticipated to be received in SFY 15.
- “Transfer from ACWF” is the amount of funds transferred from the Alaska Clean Water Fund.

Program Commitments:

- “Loan Commitments, Standard Loans Executed” represents the actual loan agreements that have been executed.
- “Standard Loans Pending” represents loan agreements which are currently pending execution.
- “Loan Commitments, Disadvantaged Assistance Loans/Grants Executed” represents grants that were made to certain economically disadvantaged communities early in the life of the program, and currently loans with subsidies in the form of principle forgiveness.
- “Bonding and Transaction Costs to be Paid” are anticipated administrative, bond sale and interest costs that will result from the sale of bonds in SFY 15.
- “Administrative Set-Aside” is the amount of funding that has been set aside for program administrative purposes up to the end of SFY 15.
- “Program Set-Asides, Source Water Assessment Program” is the total amount of funding that has been set aside for the Source Water Assessment Program up to the end of SFY 04. No further funding is requested to be set aside for this program as all of the Source Water Assessments were completed by June 30, 2004.
- “Program Set-Asides, Capacity Development” is the total amount of funding that has been set aside for the Capacity Development Program up to the end of SFY 15.
- “Program Set-Asides, State Drinking Water Program Management” is the amount of funding requested for the State Drinking Water Program Management program up to the end of SFY 15.
- “Program Set-Asides, Wellhead Protection Program” is the total amount of funding that has been used for the Wellhead Protection Program up through SFY 15.
- “Program Set-Asides, Small System Technical Assistance” is the total amount of funding that has been set aside for the Small System Technical Assistance Program up through SFY 15.

Set-Asides

A detailed financial picture of the prior and proposed uses of the set-asides follows:

Use of Safe Drinking Water Act Set-Asides

	Total Amount Requested	Requested Through SFY 14	Requested in SFY 15	"Banked" Amount
Source Water Assessment	\$ 2,682,000	\$ 2,682,000	\$ -	
Capacity Development/Operator Training and Certification Program	\$ 7,761,255	6,956,360	804,895	
State Drinking Water Program Management	\$ 9,949,100	9,064,600	884,500	
Wellhead Protection	\$ 5,293,793	4,771,938	521,855	
Small System Technical Assistance	\$ 1,952,189	1,775,289	176,900	373,716
Administrative Assistance	\$ 6,871,784	6,517,984	353,800	

State Match

A capital budget bill that authorizes the required state match of \$1,769,000 necessary to capture the FFY 14 grant is pending before the State legislature. These funds are short-term bond funds. The bonding transaction costs are estimated to be \$5,000. These monies will be available for program use in the state fiscal year that begins on July 1, 2014.

Fund Accounting Separation

Two DEC divisions, Environmental Health and Water, will conduct ADWF activities, but their administrative efforts will be unified through department management. The Alaska Drinking Water Fund, a separate enterprise fund of the State, was created by statute to account for funds for project activities. Other accounts have been established for the set-aside activities. Project and non-project activities will always be kept separate and distinct in character and will be easy to audit. Alaska will provide assistance for activities carried out in response to Section 1452(k) of the SDWA, but DEC will not establish a separate revolving fund for 1452(k) activities. Only the ADWF will be a revolving assistance fund for construction of drinking water projects for the foreseeable future.

Fund Draw Procedures

ADEC draws administrative and other DWSRF Set-Aside funding at 100% federal. Draws for loan funding are split between state match and federal funding at a ratio that ensures the full state match requirement is met for the overall award, despite the 100% federal treatment of administrative funds. This loan funding ratio is currently 28.9855% state match, 71.0145% federal.

Administrative Fees

ADEC has instituted an administrative fee structure and has been collecting fees since December 29, 2000. As of November 15, 2014 \$4,108,832 has been collected. ADEC anticipates collecting additional fees during the remainder of SFY 14. Federal law limits the use of these funds to program administration. ADEC anticipates beginning to draw on these fees to pay for program administration in FY15.

Funding History

The ADWF was first capitalized in SFY 97 with an initial value of \$27,984,253. Fund value has grown steadily to its present (November, 2014) value of \$348,319,028.

Historical Facts about the ADWF Project Fund

As of November 15, 2014:

- 105 projects have reached construction completion and are in repayment status.
- \$74,175,301 has been received in repayment principal and interest.
- \$4,108,832 has been received in fees.
- 184 loans for a total of \$265,840,841 have been made to 20 communities.
- 10 loans for disadvantaged assistance totaling \$7,821,000 have been made to 10 communities.
- 11 loans containing subsidies for disadvantaged assistance providing total of \$20,308,045 to 7 communities.
- \$12,113,958 in investment interest has been earned through June 30, 2014.
- Administrative funds of \$6,871,784 have been set aside to cover program operating costs.
- \$2,682,000 has been set aside for source water assessments and protection activities.
- \$7,761,255 has been set aside for capacity development activities.
- \$9,949,100 has been set aside for state drinking water program management activities.
- \$5,338,921 has been set aside for wellhead protection.
- \$1,952,189 has been set aside for small system technical assistance.

Growth of the ADWF

The DEC maintains projections of the future value of the ADWF. Key variables used in the projections include:

- Capitalization rate
- Interest earnings
- Loan subsidy
- Set-aside use

1. Capitalization Rate Assumptions

Projections assume that the state will continue to receive approximately \$8.5 million in annual federal capitalization grants. It is also assumed that the state will continue to issue short-term bonds for the purpose of generating a portion of the required state match and retiring bond debt with interest earnings from the fund.

2. Interest Earnings and Subsidy Considerations

Earned interest income for the program is currently set at 1% for 20-year term loans and 0.5% for 1 – 5-year term loans. Projections assume that the earnings on invested funds continue at 1.25%. Original projections that set these rates showed a nominal effect on the long term perpetuity of the program. However, there is some concern now with continued requirements for loan subsidies and the potential of reduced capitalization grants, new projections may be needed this year to assess long term impacts.

3. Set-Aside Use Assumptions

Set-asides have a negative effect on fund growth as they divert money from the fund to other uses. Projections assume the following set-aside use:

- Administrative – 4% of the federal capitalization grant
 - Small System Technical Assistance – 2% of the federal capitalization grant
 - Drinking Water and Wellhead Protection
 - Capacity Development
 - State Drinking Water Program Management
- } 15% of the federal capitalization grant
- } 10% of the federal capitalization grant

PROJECT ASSISTANCE AND ACTIVITIES

Selection of Projects

1. Identification of Priority Projects

A mailing was done on December 30, 2013 informing eligible recipients that the ADWF questionnaire was available electronically (on-line) for completing and submitting questionnaires. In the solicitation, eligible recipients were informed of new funding provisions which included consideration of loan subsidies and green related projects.

An electronic mailing was done on November 3, 2014 informing eligible recipients that the ADWF questionnaire was available on the program’s web site for completing and submitting questionnaires for ready to go projects under the amended SFY15 ADWF IUP.

2. Compliance Review

Before a project can receive loan fund assistance, system owners must demonstrate that they have, or will have, the technical, financial and managerial capacity to operate the system in compliance with state and federal law.

ADEC verifies compliance in several ways. First, at the time a system owner submits a questionnaire, the system history is reviewed to determine if it is in compliance with major federal and state requirements or if the project will bring the system into compliance. In this step, if a system is not in compliance, it is assessed to determine what is needed to bring it into compliance. An applicant must then enter into a formal agreement with ADEC to take steps to bring its system into compliance before it can be further considered for assistance.

This formal agreement can be in the form of a Compliance Order by Consent (COBC) or a compliance schedule proposed by the applicant and approved by the ADEC Drinking Water Program. The schedule can be supported by a technical document such as a project feasibility study or water master plan. All proposed compliance schedules must also be reviewed and approved by ADEC. The project proposed must be part of the agreement and have a primary goal to bring the system into compliance. If a system fails to comply with the COBC or its compliance schedule, then loan disbursements will cease and the system will be subject to enforcement action.

After compliance status has been determined, a system is evaluated for its overall capacity. Once an applicant’s project is found to be within the fundable portion of the final priority list, ADEC will assess capacity using the program guidance approved by EPA. This guidance is reflected in a document called the Capacity Assessment Worksheet, included as Appendix II. This worksheet is designed to give ADEC a broad, overall picture of a system’s capacity.

Additional information may be required from the loan applicant prior to executing a loan agreement. If a system cannot demonstrate sufficient capacity, ADEC will determine what steps need to be taken, and decide whether the system will be able to achieve capacity within a

reasonable amount of time. If a system is determined to be unable to achieve capacity in a reasonable time, it will be by-passed in the current year's funding cycle.

Staff from the Environmental Health Division of ADEC participates in this process to ensure that all systems are either in compliance or that proposed projects will bring them into compliance with state and federal program requirements.

3. Scoring Criteria

After compliance review, newly submitted questionnaires were scored and ranked by ADEC staff, using the criteria contained in Appendix III, "Alaska Drinking Water Fund Priority Criteria."

All projects were placed in numerical order by score, from the highest to the lowest. In the event of ties, projects with the lowest median household income receive the higher ranking. This is done as fairly as possible, to provide low interest loans first to those eligible entities with the greatest financial need. However, if a project is needed to meet minimal required subsidy funding, an eligible project will be placed higher in ranking. Once review was complete, this ranking formed the draft priority list for SFY 15. Further discussion of these lists can be referenced under "Distribution of Funding for Projects."

The priority list along with the other proposed non-project uses of the ADWF, are the key components of the IUP. The draft funding and planning priority lists will be sent to all qualified recipients for review and comment. Notice will be published in a major newspaper advertising the availability of the draft IUP and inviting comment. The IUP will also be published on ADEC's web site. Comments solicited during this public notice period and ADEC responses will be published in Appendix VI.

4. Project Incentives

New for this year is the addition of extra incentives to encourage projects to be under construction within one year after signing their funding agreement. The following incentives include but are not limited to the following actions.

- If a project questionnaire shows that construction will begin by no later than September 15, 2014, an extra 50 points will be added to the project's overall questionnaire score. However, if during the application process construction start does not begin by this time or can at least be substantiated by a bid award or notice to proceed documentation; the application processing may be suspended to let other "ready to go" projects proceed with funding.
- Any project on the project priority planning list which can demonstrate having either a bid award made or have a signed construction contract in place at the time of issuance of the final IUP, and notice to proceed issued for construction start by September 15, 2014, will be allowed to submit a loan application at any time after issuance of the final IUP.

Distribution of Funding for Projects

Appendix IVa shows projects proposed for funding under the amended SFY 15 IUP. The total amount needed to fund all of the projects on the priority list is \$14,089,591. The total amount available, as described on page 6 is \$13,062,573. While ADEC intends to fund projects on the priority list in their ranking order, funding down to the Palmer – Steel Water Main Replacement project exceeds available funding by \$1,027,018. We intend to negotiate with Palmer for a phased approach to appropriate pieces of this project to utilize the available funds.

Appendix IVb contains the “planning portion” of the priority list for SFY 15. The planning portion includes those projects that did not score high enough to be eligible for funding initially. In the event that projects in the funding portion are by-passed, projects from the planning portion may be considered for funding in rank order.

ADEC may amend the Project Priority List through the year to meet demand needs for ready to go projects. This process is done by a doing a maximum two week solicitation for new projects and a 10 day public notice of the Project Priority List.

When found necessary, ADEC will contact communities if project loan requests are determined to be excessive and could limit other project funding. Through negotiations, a revised lower amount through either project phasing or the community seeking other funding sources will be sought based on the discretion of ADEC.

If a project is listed on a Project Funding Priority List with a subsidy or has demonstrated to be a “ready to go” and received an additional 50 ranking points (as described under “Project Incentives” section on page 10), a project application may be submitted at completion of the IUP public notice period. The application does not need be complete, but sufficient information should be provided to help initiate a community financial assessment for incurring the debt, and begin the review process for the environmental.

Emergency Procedures

ADEC may make loans for projects that request funds under emergency conditions such as natural disasters and terrorist actions. Upon a declaration of an emergency by federal or state emergency response officials or upon a finding of the ADEC, funds may be made available for projects not currently described in this IUP. By-pass procedures may be waived under direct threat of severe public or environmental harm. Reasonable efforts to fund projects in priority order will still be followed under emergency situations.

By-pass Procedures

If a project on the fundable portion of the list has not turned in a completed loan application package or has not completed the state environmental review process in a timely manner as described in the following paragraphs, it may be bypassed for another project on the priority list that is ready to proceed down to and including planning list projects and this includes projects with listed subsidized amounts. Specific rules on project by-passing are as follows:

- a. If a loan application is not submitted for a project on the fundable portion of the list within two (2) months after first being placed on the priority list, the project will without justification be automatically by-passed by a lower scoring project ready to proceed.
- b. In this year’s federal funding of the ADWF is the requirement to meet minimal funding needs for offering loans with subsidies, and identify projects that meet equivalency. To meet these mandated minimal funding needs, ADEC will if necessary bypass a priority listed project with the next highest scored eligible project off the planning list which meets these requirements. This bypassing will be done until funding requirements are minimally met.
- c. If any projects are equal in scoring, the following sequence will be used to differentiate between them:
 1. If a project is already under construction or is out to bid, the environmental review has been completed, and the application has been completed, that project will be moved ahead.

2. If a project requires an earlier construction date, as a result of a compliance agreement or other legal order from EPA or DEC, that project will be placed ahead of the others.
3. The project has been identified as having Green project components, or identified to meet equivalency.
4. A project with an earlier anticipated date for submitting a completed application will be moved forward.
5. If the projects are from the same city, the city may request that one be placed ahead of the other.
6. The individual scores from each criteria category will be compared until a difference is found. The project with the highest score in the individual category will be placed first.

Additional Loan Fund Policies

1. Small Community Participation

Of the amount of funding being proposed for SFY 15, over 20 percent (which includes the State match) would go to communities with a population of less than 10,000. Since the program’s inception, 37 percent of the loans or \$102.7 million have been provided to small systems. This exceeds the 15 percent goal \$42 million program requirement for participation by small systems. Although ADEC does not expect to need this, ADEC will bank the excess \$60.7 million for future years when the number of small system loans may fall short of the percent goal.

2. Privately Owned Systems

Beginning July 1, 2002, project loan assistance can be provided to privately owned systems that are certificated and economically regulated by the Regulatory Commission of Alaska (RCA). Since then, ADEC has executed 20 loans totaling \$9,925,151 with privately owned drinking water utilities.

3. Financial Terms of Loans

Loan terms are contained in Title 18, Chapter 76, Section 255 of the Alaska Administrative Code and are summarized below:

Loan Interest Rates

Loan Term	Interest Rate Based upon Amount Borrowed
1 year or less	0.5%
1 to 5 years	The greater of (a) 1.0% or (b) 12.5% of the current bond rate as defined by the Municipal Bond Index at the time the loan is made
5 to 20 years	The greater of (a) 1.5% or (b) 18.75% of the current bond rate as defined by the Municipal Bond Index at the time the loan is made

4. Title II Equivalency Compliance

The Drinking Water Act and subsequent EPA regulations instituted the Drinking Water State Revolving Fund loan program with numerous federal laws and authorities. ADEC requires

compliance with these federal laws and authorities on selected ADWF loan projects. Projects that are chosen to be an equivalent project are noted on the project priority and planning ranking lists.

The selection process of an equivalent project will be based on the following criteria:

- Any project receiving a subsidy.
- Any project that comes from a non-disadvantage community and is 10,000 and greater in population.

The number of equivalent projects selected will be based on the cumulative funding amount of these projects and be shown that the amount equals or exceeds the annual federal capitalization grant amount.

5. Additional Subsidization – Disadvantage Community/System Assistance

The FFY14 federal capitalization grant (amount of \$8,845,000) requires that a least 20% (\$1,769,000) and no more than 30% (\$2,653,500) of the grant amount be in the form of additional subsidies. ADEC has chosen to offer a total amount of \$1,769,000 as additional subsidization as principal forgiveness.

For disadvantage communities, an amount of 75% or up to a maximum amount of \$1,500,000 (cumulative per community) will be made with funds available if a project meets the follow criteria.

- The project must be listed on the project priority list and highest ranked projects will be considered first.
- The project must be ready to start construction no later than one year after issuance of the final IUP.
- The community must submit a complete loan application within two months upon issuance of the final IUP.
- The community must agree to within one year of the date of the signed loan agreement to submit payment request at least equal to the amount of the loan subsidy.

Disadvantaged communities are provided a subsidy as part of their project assistance to help alleviate economic hardships for constructing a capital project. A community is considered disadvantaged if its:

- Median Household Income (MHI) is less than the state average MHI that is currently published by the Alaska Department of Commerce, Community and Economic Development or by the U.S Census Bureau, whichever is greater. For non-publically owned water systems, the MHI is based on the community/system in which the system resides.

OR,

- Rate of unemployment is above the state average unemployment rate that is currently published by the Alaska Department of Commerce, Community and Economic Development or by the U.S Census Bureau, whichever is greater. For non-publically owned water systems, the rate of unemployment is based on the community/system in which the system resides.

For a community/system to qualify for disadvantaged assistance, they need to meet one of the above criteria. For Boroughs of the State, the above criteria can be used for a specific

community/system within the Borough if the project is solely benefitting just that community/system.

If after one year of IUP publication any uncommitted subsidies exist, these funds will be distributed into projects with existing subsidies, or to those projects which are the furthest along in completion of construction. Additionally, the priority lists on Appendix IVa and IVb demonstrates that at least 20% of the capitalization grant amount will be provided via principal forgiveness. Any subsequent revision to this Fundable Project Priority list will likewise demonstrate that at least 20% of the grant will be provided via principal forgiveness.

Update of SFY 2011 Additional Subsidization Criteria – Disadvantage Community Assistance

In the SFY 2011 IUP, subsidy was offered to disadvantaged communities under the following guidelines:

Under the FFY10 federal capitalization grant requires that a least 30% (\$4,071,900) of the grant amount be in the form of additional subsidies. The Department has chosen to offer principal forgiveness in an amount up to 50% of the value of a loan made by the State's DWSRF Program. However, only a \$1.5 million cumulative maximum subsidy amount per community/system is allowed for all projects in receipt of funding to the community/system.

Currently, due to situations such as projects being completed under budget, not going forward, or possibly losing eligibility or equivalency on having federal funds drawn on payments to the community, ADEC has subsidy funds that need reobligating to other eligible projects. To ensure that principal forgiveness may be provided to meet the minimum additional subsidization requirement of the FFY 10 federal capitalization grant, the follow criteria will be used.

Prior to the expiration of FFY10 federal capitalization grant, ADEC reserves the right to make any necessary changes to this method of subsidy allocation and the subsidy offered to projects listed in the Priority Project Lists of this IUP to ensure all subsidized funds are fully committed to projects moving forward.

Update of SFY 2012 Additional Subsidization Criteria – Disadvantage Community Assistance

In the SFY 2012 IUP, subsidy was offered to disadvantaged communities under the following guidelines:

Under the FFY11 federal capitalization grant (\$9,418,000) requires that a least 30% (\$2,825,400) of the grant amount be in the form of additional subsidies. The Department has chosen to offer principal forgiveness in an amount up to 45% of the value of a loan made by the State's DWSRF Program. However, only a \$1.0 million cumulative maximum subsidy amount per community/system is allowed for all projects in receipt of funding to the community/system. Additionally, for projects with qualifying Green Project Reserve components, a 50% subsidy or a \$1.111 million cumulative maximum subsidy amount per community/system will be made available.

Currently, due to situations such as projects being completed under budget, not going forward, or possibly losing eligibility or equivalency on having federal funds drawn on payments to the community, ADEC has subsidy funds that need reobligating to other eligible projects. To ensure that principal forgiveness may be provided to meet the minimum additional subsidization requirement of the FFY 11 federal capitalization grant, the follow criteria will be used.

Prior to the expiration of FFY11 federal capitalization grant, ADEC reserves the right to make any necessary changes to this method of subsidy allocation and the subsidy offered to projects listed in the Priority Project Lists of this IUP to ensure all subsidized funds are fully committed to projects moving forward.

6. Green Project Reserve (GPR)

To the extent there are sufficient eligible project applications; applicants are strongly encouraged to submit projects that include GPR infrastructure components under the following category types: green infrastructure, water or energy efficiency improvements, and environmental innovative activities. To offer an incentive for incorporating GPR components into a project, ADEC is giving an additional 25 ranking points for eligible work. Green projects are listed under Appendix IVa and IVb by indication of green project category type and whether project justification is either categorical, or requires a business case demonstration.

Under this IUP, five projects listed on the Project Priority list have been identified as being a Green project based on State current guidance. The cumulative amount of these projects is \$13,002,549.

7. Sustainability Policy

DEC is committed to promoting sustainable design and management of drinking water utilities. Projects that meet DEC's sustainability criteria are eligible for up to 50 bonus points in the priority ranking system. Further details on sustainability criteria may be referenced under Appendix III.

8. Davis-Bacon

EPA’s FY2012 Appropriations bill requires the application of Davis-Bacon prevailing wage rates to all treatment works projects funded in whole or in part by the DWSRF. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors (regardless of the subcontract amount).

We will apply Davis-Bacon wage rates to all projects funded via the DWSRF. We will encourage assistance recipients and construction contractors to communicate early with ADEC and prior to construction to help them comply with Davis-Bacon requirements.

9. Reporting

a) Federal Funding Accountability Transparency Act (FFATA)

DEC is committed to transparency and accountability under FFATA (reporting requirements may be obtained at their website <https://fsrs.gov/>). Program information, Intended Use Plans, Annual Reports, and other program materials are either posted on the DEC/MGL website: <http://www.dec.state.ak.us/water/MuniGrantsLoans/index.htm>, or may obtain through the program office in Juneau at 410 Willoughby Street, Juneau, AK 999801. Dec has chosen to use the equivalency method to meet FFATA reporting requirement. The project below were selected:

Nome	Nome Sclaircore Replacement Ph III	\$1,678,350 *
Juneau	Salmon Creek Secondary Disinfection	\$1,000,000
Juneau	Water Main Replace Egan Dr./10 th to Main	\$1,800,000
Juneau	Last Chance Basin Well Field Capacity	\$1,624,700
	Total SFY 2015 DWSRF Set-Asides Reserved	<u>\$2,741,950</u>
		\$8,845,000

***FFATA is reported on an equivalency basis meaning up to and no more than the amount of the Capitalization Grant.**

b) PBR (Project and Benefits) Reporting

Project milestones and information are reported through EPA’s Drinking Water Benefits Reporting database. DEC commits to entering benefits information on all projects into PBR by the end of the quarter in which the assistance agreement is signed.

c) Quarterly Project Status Reporting

Quarterly project status reports for all borrowers are required to be filed with ADEC once a funding agreement is in place. After an agreement is fully signed, a report must be submitted at the end of every State fiscal quarter thereafter and continue until final disbursement is made. ADEC will provide necessary forms for this reporting and the report will be used to provide a project status update and current financial utilization information on the loan.

d) Quarterly Financial Reporting

Anticipated for this year’s quarterly status reporting is the inclusion of a quarterly financial report, which is anticipated to be implemented on the quarter ending September 30, 2014 (financial reporting was delayed one year due to software update needs). The financial report is essentially a disbursement request for the loan which will report quarterly financial information on the project. If the financial report documents expenditures, sufficient supporting documentation will be required so that a disbursement review can be made on determining and making payment on eligible expenses. A borrower may choose to make more frequent reimbursement requests (once a month maximum), but at a minimum they will be required to make minimal quarterly requests to meet this new reporting requirement. If no costs are incurred for the reporting quarter, acknowledgement of a simple statement of this fact within the online report will be all that is needed.

e) Miscellaneous Reporting

Additionally, ADEC will provide information to EPA as needed for national reports, public inquiries, or Congressional inquiries. ADEC will continue to meet the federal reporting requirements by inputting environmental summaries, referred to as “one-pagers” on ADWF projects, on an on-going basis and not less than quarterly. A summary will be presented in the ADWF annual report.

10. American Iron and Steel

None of the funds made available to the borrower shall be used for a project for the construction, alteration, maintenance, or repair of a public water system unless all of the iron and steel products used in the project are produced in the United States. This requirement applies to the entire project receiving a loan agreement that is fully signed on and thereafter the effective date of January 17, 2014 through October 1, 2015.

If approved engineering plans and specifications by a State agency are completed prior to the enactment date, this requirement will not apply. Consideration for exclusions to this requirement are as follows: being inconsistent with the public interest; iron and steel products that are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or inclusion of iron and steel products produced in the United States that will increase the cost of the overall project by more than 25 percent.

For these exclusions to apply, a request for a waiver must be submitted to EPA for consideration of approval. Borrowers have the option of sending a waiver request directly to EPA with a copy to ADEC, or they can submit the waiver to ADEC who will then forward it on to the EPA. EPA

will then make available to the public on an informal basis (EPA’s public internet web site) a copy of the request and information available to the Administrator concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. Borrowers will be encourage to contact ADEC on any national waivers issued for further exemption of this requirement.

NON-PROJECT ACTIVITIES

Non-project activities are those activities defined by the SDWA Amendments of 1996 as uses of DWSRF money that are not related to construction of public water systems or modification of infrastructure. ADEC intends to make as much capitalization loan money available as possible, while at the same time recognizing that there is more to the delivery of safe drinking water than simply constructing or modifying a water system. In addition to the administrative and technical assistance uses of the State Revolving Fund (SRF) described in the Projects Section of the IUP, submitted by the Division of Water, other non-project activities intended to be funded by the SRF are outlined below:

Non-Project Activities Funded by the DWSRF

- Administration of the Fund
- Small System Technical Assistance
- Capacity Development Program
- Operator Training and Certification Program
- Drinking Water and Wellhead Protection Program
 - Source Water Assessment Activities
 - PWS Security and Emergency Response Planning
- State Drinking Water Program Management

Administration of the Fund

The Safe Drinking Water Act allows for up to four percent of the state’s annual federal allotment to be used to administer the loan program. In SFY 13, ADEC intends to use \$353,800 to administer the fund and an additional \$448,000 by accessing the Fee Account. Activities include evaluating loan applications, reviewing and processing payments, assisting system in capacity reviews and performing project audits. This level of expenditure is expected to remain reasonably stable for several more years.

Small System Technical Assistance

The Small System Technical Assistance (SSTA) activity can use up to two percent of the federal capitalization grant; (\$8,845,000 multiplied by two percent equals \$176,900). The funds used under the 2% Small System Technical Assistance Set-Aside will continue funding small system training development as previously approved by EPA. In addition, OAP staff will provide direct technical assistance to small system operators and owners. A portion of these funds will be used for personal services costs for four OAP staff. ADEC intends to use \$176,900 of the available and will provide a detailed work plan to EPA for approval of all SSTA-funded activities.

Local Assistance and Other State Programs Set-Aside

The state can request up to 15% of the DWSRF capitalization grant on an annual basis for Capacity Development, Operator Training and Certification, Wellhead Protection, and other appropriate Technical Assistance activities; however, no more than 10% of the capitalization grant may be used for Wellhead Protection, PWS Security and Emergency Preparedness, Capacity Development, or any other specific activity each year.

1. Capacity Development Program

Under the SDWA Section 1452(k)(1)(B), the state plans to supplement completion of some of the capacity development-related activities noted under the Public Water System Supervision (PWSS) program using \$530,700 from the Local Assistance and Other State Programs set-aside. The funds for Capacity Development activities will be used to implement the state's current EPA-approved Capacity Development Strategy and also the State of Alaska's Technical, Managerial, and Financial (TMF) capacity for Alaska's PWS which is a requirement for a primacy state. These Local Assistance and Other State Programs, Capacity Development activities include, and are not limited to:

- Technical, Managerial, and Financial Capacity reviews completed during the engineered plan review and waiver review process for new systems and modifications to water systems. [These activities support implementation of the primacy requirement for states to ensure "new water systems TMF capacity and sustainability."]
- Technical assistance to PWS owners and operators, consulting engineers, and third-party technical assistance providers (Health Corporations, etc.) independently or through the Technical Assistance Providers Group to focus on the current 43 Alaska water systems and any additional PWS with EPA Enforcement Targeting Tool Scores greater than 11, and any PWS requesting and needing assistance to achieve increased public health protection. [These activities support implementation of the State of Alaska's Capacity Development Strategy for PWS in noncompliance and also support the Capacity Development Program which is a primacy requirement for states.]
- Provide technical assistance to PWS owners and operators during onsite sanitary survey activities, onsite status component inspections, and comprehensive performance evaluations training workshops.
- Continue with completing onsite status component assessment inspections, and following-up on the findings of the inspections especially for significant deficiencies identified during the inspection, for those Alaska's PWS using a surface water source or ground water under the direct influence of surface water, and begin completing onsite status component assessment for those water systems using a ground water source where treatment is required.
- Public outreach on water system capacity (or TMF), sustainability, and asset management using interactive workshops, webinars, and presentations at professional conferences.

The Drinking Water Program, a regulatory and public health protection program of the Division of Environmental Health, plans to submit a detailed work plan for Capacity Development activities to EPA for review and approval.

The Operations Assistance Programs, a sub-unit of the Facilities section of the Division of Water, is planning to utilize \$274,195 of the total amount requested under this set-aside for a variety of capacity development activities, as well as a portion of the personal services costs for 5 positions in OAP. A separate detailed work plan for OAP activities and personal service costs under this set-aside will be submitted to EPA for approval.

2. Drinking Water and Wellhead Protection Program

Under the SDWA Section 1452(k)(1)(D), the state plans to complete drinking water protection-related activities using \$521,855 from the Local Assistance and Other State Programs set-aside. The funds for Drinking Water and Wellhead Protection activities will be used to continue with the implementation of a statewide voluntary Drinking Water Protection Program as well as the PWS Security and Emergency Preparedness Program. These Local Assistance and Other State Programs, Drinking Water Protection (Wellhead Protection) and PWS Security and Emergency Preparedness activities include, but not limited to the following:

- Complete PWS source water assessments of new PWS and also update and complete Quality Assurance/Quality Control (QA/QC) of source water assessments of existing systems.
- Assist PWS owners, operators, and community representatives in developing Drinking Water Protection Plans and/or Wellhead Protection Programs for their water systems.
- Provide technical assistance to PWS owners and operators during PWS source water assessments QA/QC field verification activities and also sanitary surveys on development of drinking water protection management plans and also PWS security and emergency preparedness issues and activities.
- Provide technical assistance to PWS owners and operators in the development of their Vulnerability Assessments, Emergency Response Plans, and Priority Measures Plans.
- Public outreach using workshops, presentations at professional meetings, webcasts, and onsite visits on the importance of drinking water protection (protecting sources of drinking water both ground water and surface water) and also the importance of completing water system Vulnerability Assessments and practicing emergency preparedness activities, such as Emergency Response Plans and Priority Measures Plans.

The Drinking Water Program, a regulatory and public health protection program of the Division of Environmental Health, plans to submit a detailed work plan for Drinking Water and Wellhead Protection activities to EPA for review and approval.

Program Management Set-Aside

Under the SDWA Section 1452 (g)(2), the state plans to use 10% of the DWSRF capitalization grant to supplement the completion of Public Water System Supervision (PWSS) program management activities. The funds for State Drinking Water Program Management activities will be used for SDWA compliance requirements completed under the PWSS Program for the public health protection for the residents and visitors to the State of Alaska will include, and are not limited to the following:

- Continued development and implementation of Drinking Water Program primacy activities for regulations development, compliance and enforcement, and reporting to EPA Region 10 or EPA Headquarters.
- Continued focused efforts of the Alaska Drinking Water Program on meeting the EPA National Drinking Water Program goals of PWS meeting all SDWA health-based standards.
- Engineered plan reviews and waivers (Construction and Operation Approvals) for new water systems and modifications to existing water systems.
- Regulations implementation for compliance with SDWA requirements and federal public health laws (statutes) and drinking water rules the state adopts by reference or develops which meet the stringent federal requirements.
- Enforcement of the Alaska Drinking Water Regulations, 18 AAC 80, and continued use of the Enforcement Targeting Tool and Enforcement Response Policy for increased PWS compliance and increased public health protection.

- Compliance and technical assistance to assist PWS owners and operators achieve compliance without using formal enforcement and thereby increase overall PWS compliance and public health protection to residents and visitors to the State of Alaska.
- Public outreach and education to explain the drinking water regulations and the importance and value of safe drinking water and the benefit of PWS and tap water.

This particular set-aside requires an additional 1:1 match by the state program. The total usable budget for PWSS Program Management Set-Aside activities from the SFY 2015 (FFY 2014) DWSRF capitalization grant is \$1,769,000. The DEC Drinking Water Program does not plan to use any “Historic Match” credit for meeting the 1:1 match requirement for use of the 10% Program Management set-aside funds for SFY 2014. The State of Alaska’s maximum amount of “Historic Match” credit is \$1,056,000 which can be used in perpetuity.

The Drinking Water Program, a regulatory and public health protection program of the Division of Environmental Health, plans to submit a detailed work plan for the State Drinking Water Program PWSS program set-aside activities to EPA for review and approval.

CONTENT OF APPENDICES

Appendix	I. Cumulative Amount of Loans Available for Projects
Appendix	II. Capacity Assessment Worksheet
Appendix	III. Priority Criteria
Appendix	IV. Project Lists – Fiscal Year 2014 IVa. Funding Priority List IVb. Funding Priority Planning List
Appendix	V. Public Comments

APPENDIX I

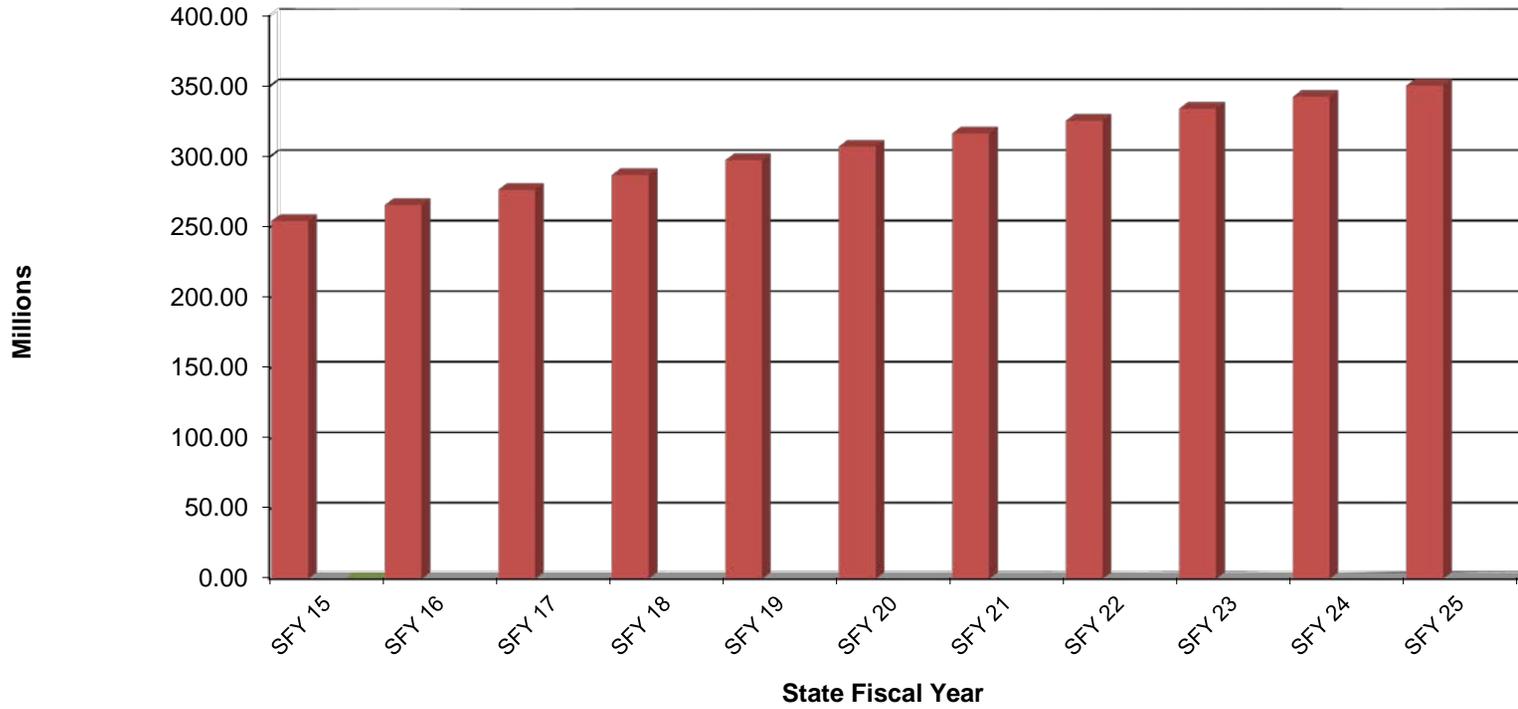
Cumulative Amount of Loans Available for Projects

ALASKA DRINKING WATER FUND

Funds Available For Loans

Net Cumulative Funds Available / deducting all Set-Asides taken (including banked set-asides)

(Note - This does not consider any funding over commitment)



APPENDIX II

Capacity Assessment Worksheet

ALASKA DRINKING WATER FUND

Appendix II Capacity Assessment Worksheet for Potential Projects

The 1996 amendments to the federal Safe Drinking Water Act require Alaska to assess the capacity of potential recipients of loans from the Alaska Drinking Water Fund (ADWF). By capacity, EPA means the technical, financial and managerial capabilities of a water system for proper long-term operations. If a loan applicant is found lacking in these areas, we may not be able to provide financial assistance from the ADWF unless the capacity of the system is guaranteed.

Consequently, we are asking for detailed information from potential loan applicants to help us in this assessment. Such things as financial records, enterprise fund budgets and audits, along with detailed planning and engineering information for your system will help ensure our ability to provide you this loan for your project.

The following is an outline of our assessment process. Please carefully review and complete these worksheets and make sure the information you provide us is current and accurate.

TECHNICAL CAPACITY ASSESSMENT

We intend to use the following questions and answers to help us evaluate your systems technical capacity. These questions address the physical components of your drinking water system and are related to water treatment facilities, water sources, storage and pumping capacity and water distribution capacity. Pertinent technical documentation such as engineering feasibility studies and reports should be provided as appropriate.

- 1.) Are the existing water treatment facilities adequate and functional?**
Please provide a description of the system and the proposed project. Will this system likely meet federal and state drinking water regulations expected to be enacted within the next four years? *This includes the ICR, Groundwater Disinfection Rule and Enhanced Surface Water Treatment Rule.*

- 2.) Is the existing water source developed and protected?**
Will this system likely meet future source protection requirements?

3.) Is the current system able to meet peak demand flow and pressure in all points of the treatment and distribution system?

What is the current peak demand and minimum pressure at peak demand?

Does the system experience seasonal or periodic difficulties?

When was the last leak detection survey? Please describe any corrections made.

4.) Does the system employ, or have access to, the correct level of certified or qualified operators?

Under State regulation, all water systems serving more than 500 people are classified as to complexity and require either a I, II, III or IV level operator or a qualified surface water system operator.

Please provide the name and certification number of your lead certified operator or operators in charge of your water treatment and water distribution system.

5.) Has the water system been out of compliance with federal or state drinking water regulations within the past year?

Please provide any compliance or enforcement actions taken recently such as Notices-of-Violation (NOVs), Compliance-Order-by-Consent (COBCs), boil water notices and the most recent sanitary survey.

FINANCIAL CAPACITY ASSESSMENT

Financial capacity is assessed by examining the fiscal condition and financial management aspects of the system. Financial aspects relate to the systems ability to raise the necessary funds to ensure proper operation and maintenance, including long-term depreciation and reserve accounts. Financial management refers to the management of those fiscal aspects.

If a system is regulated by the Regulatory Commission of Alaska (RCA), formerly the Alaska Public Utilities Commission (APUC), information contained in the application for the current Certificate of Public Convenience and Necessity or the annual RCA report may help demonstrate financial capacity. A copy of the annual report to the RCA may also contain the necessary information related to financial capacity. For example, if a system is applying for the RCA certificate, a copy of the application package should be submitted for review with the ADWF loan application. If a system already has a current RCA Certificate, a copy of the annual report to the RCA should be submitted for review with the ADWF loan application.

For those systems that are not regulated by the RCA, have not completed an application package for certification by RCA, or have not submitted an annual report to the RCA, the following questions will help us evaluate the financial aspects of the system. These questions relate to total user charge revenues and total system expenses, other revenue streams, fairness and affordability of user charges, cash budgeting, preparation and use of annual and capital budgets, and periodic financial audits.

- 1.) **Does the water system have user ordinances and a rate structure?**
How often are the rates reviewed or updated? When was the last update?
- 2.) **Does the water system revenue from user charges meet or exceed system expenses?**
Please submit your water utility budget documents that clearly show revenue and expenses.
- 3.) **Are other funds contributed to water system operations to offset expenses?**
- 4.) **How affordable are water system rates?**
What are the estimated residential rates per household (after the project) compared with the median household income and other similar system rates?
- 5.) **Does this system use an annual budget?**
- 6.) **Does the system include a cash budget within the annual budget for operations and emergency purposes?**
- 7.) **Does the system use a capital budget?**
- 8.) **Does this system use a capital improvement plan?**
- 9.) **Does this system undertake regular financial audits?**
Please provide the most recent financial audit of the water utility accounts, including any appropriate state single audit documents along with the auditor management letters.
- 10.) **How will this loan be repaid?**
Please describe how this loan debt will be retired. If user fees are

proposed as the repayment source, how much will rates need to be increased to retire this loan?

MANAGERIAL CAPACITY ASSESSMENT

Managerial capacity is assessed by evaluating managerial qualifications and experience, organizational structure, the compliance history of the system, training programs offered, preventive maintenance programs, and documentation of ownership and responsibility.

The following questions help us to assess the systems managerial capacity and address the following aspects of system management:

- 1.) How is the water system managed?**
Who is the system owner(s) and manager?
Does the system utilize personnel and policy procedures or manuals?
Does the system require or encourage continuing education for personnel?
What type of organizational structure exists?
- 2.) Does the system have written operation and maintenance manuals?**
- 3.) Does the system employ, as needed, the services of a professional engineer?**
- 4.) Does the system have up-to date record or as-built drawings?**
- 5.) Does the system implement a preventative maintenance program?**
- 6.) Does the system have an emergency operating plan and safety program?**
- 7.) What type of public outreach education programs are implemented?**
- 8.) What professional organizations are operators and system managers members of?**

APPENDIX III

Priority Criteria



ALASKA DRINKING WATER STATE REVOLVING LOAN FUND PRIORITY CRITERIA FOR FY15 DRINKING WATER PROJECTS

The federal Safe Drinking Water Act requires states to fund projects from their state revolving loan fund based upon public health, compliance and affordability criteria. The following criteria have been established for Alaska's prioritization process accordingly.

<u>PUBLIC HEALTH (Only one)</u>	Assigned Points
<p>1) This project will correct the cause of a documented human disease event. <i>Examples include outbreaks of Hepatitis, Giardiasis, and Cryptosporidiosis.</i></p>	100
<p>2) This project will provide potable water to a community or area currently not served by piped service. <i>Examples include existing watering points, existing water buckets/self haul communities or other existing un piped hauled systems. Projects predominantly for future growth are ineligible.</i></p>	75
<p>3) This project will eliminate acute risks to public health. <i>Examples include projects that will resolve microbial risk from inadequately treated surface water or groundwater, CT tank construction or treatment of dangerously high levels of contaminants such as nitrate exceedances or chemical concentrations greater than 10-day health advisories. Additionally, water systems lacking sufficient capacity for meeting public health needs.</i></p>	75
<p>4) This project will correct potential long-term, chronic health problems or repair or replace serious distribution system problems or leaks. <i>Examples include VOC removal, pH adjustment or replacement of end of life/inferior material pipe and/or correction of potential distribution system freeze-up problems.</i></p>	50
<p>5) This project will eliminate potential health hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations. <i>Examples include periodic exceedances of primary MCLs due to mechanical or structural problems, undersized or inadequate components or low pressure problems. This can include SCADA and other process instrumentation.</i></p>	30
<p>6) This project has no significant health hazards related issues.</p>	0

<u>COMPLIANCE WITH SAFE DRINKING WATER ACT (Only one)</u>	Assigned Points
1) This project will allow a system to come into compliance with an executed Compliance-Order-By-Consent (COBC) or Administrative Order, Judicial Decision or Consent Decree. <i>Points will be awarded only for agreements executed between the appropriate primacy health agency (U.S. Environmental Protection Agency or Alaska Department of Environmental Conservation) and the system owner or for a judicial decree.</i>	35
2) This project will resolve a significant compliance issue. <i>Examples include SNC violations, NOVs and boil-water notices.</i>	25
3) This project will address a documented compliance issue. <i>Examples include documented compliance issues that are relatively minor in nature. Documentation can include agency notification letters.</i>	10
4) This project has no significant compliance related issues.	0

AFFORDABILITY

These points will only be given if a water system provides recent income data, population figures and a fee structure or ordinances. The average monthly household cost for waterservice, after project completion, will be divided by the monthly mean household income. The monthly mean household income will be documented by a current survey or census data.

High (monthly water cost/monthly income)	> 1%	10
Moderate (monthly water cost/monthly income)	0.5% - 1%	6
Low (monthly water cost/monthly income)	< 0.5%	3

OPERATOR CERTIFICATION (Only one)

- | | |
|------------------------------------------------------------------------------------------------|---|
| 1) The system employs, or has access to, the correct level of certified or qualified operators | 5 |
| 2) Not adequately certified/qualified. | 0 |

ABILITY TO REPAY (Only one)

- | | |
|---------------------------------------------------|---|
| 1) A viable repayment source has been identified. | 5 |
| 2) Not yet determined. | 0 |

ADDITIONAL CONSIDERATIONS

Assigned
Points

- | | |
|-----------------------------------------------------------------------------------------------------------------------|---|
| 1) Construction documents have been prepared and submitted to the appropriate DEC office. | 5 |
| 2) A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted. | 5 |
| 3) This project will result in the regionalization and/or consolidation of two or more existing public water systems. | 5 |
| 4) An environmental review process has been prepared or completed. | 5 |

SUSTAINABILITY PROJECTS (Only one)

- | | |
|---------------------------------|----|
| 1) Fix It First Projects | 50 |
| 2) Effective Utility Management | 25 |
| 3) Planning | 25 |
| 4) Not Applicable | 0 |

GREEN PROJECT (determined by ADEC)

The applicant has sufficiently demonstrated Green eligible components under the project.	25
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APPENDIX IVa

ALASKA DRINKING WATER FUND

Project Priority List

**ALASKA DRINKING WATER FUND
Funding Priority List - Amended
Fiscal Year 2015**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount ²	Finance Rate	Term (Yrs)	Subsidy ³	Green Project Amount ⁴	Green Project Type ^{5,6}	Estimated Construction Start	Sustainability Policy ⁷
1	216	ALPAT◆	AK2211229 (350)	Treatment Plant Upgrade & Reservoir Construction■	The project will rehabilitate the failing Creekwood Park surface water treatment system near Wasilla. Work includes improvements and purchase of the system, and construction of a reservoir.	\$505,577	1.50%	20	\$379,183			8/5/2014●	Fix it First
2	201	Nome◆	AK2340010 (3,598)	Nome Scclaircore Replacement-Ph III■ ¹	Replace failing water main piping along Division Street, King Place, Warren Place and Spokane Street with new direct-bury arctic pipe. Elimination of pipe failure I&I will provide energy savings.	\$2,920,300	1.50%	20	\$1,389,817	\$2,920,300	ENG-BC	5/15/2014●	Fix it First
3	200	Spenard Heights Water	AK2211821 (100)	Spenard Heights Distribution System	Design and construction of filtration improvements to reduce arsenic levels, and replacing end of life galvanized water lines with new lines.	\$3,128,000	1.50%	20		\$3,128,000	ENG-BC	5/15/2015	Fix it First
4	188	Juneau	AK2110643 (31,275)	Salmon Creek Secondary Disinfection■	The assessment of levels of disinfection required, facility permitting, and the design and construction of a secondary disinfection process at the Salmon Creek Water Treatment Facility.	\$4,000,000	1.50%	20				3/1/2015	Fix it First
5	176	Anchorage	AK2213001 (291,826)	Resurrection Drive Water Rehabilitation■	Rehabilitate or replace approximately 531 linear feet of 8-inch ductile iron pipe within Resurrection Drive from Tikishla Street to 7941 Resurrection Drive.	\$750,000	1.50%	20				5/29/14●	Fix it First
6	171	Anchorage	AK2213001 (291,826)	Denali Water Rehab, Northern Lights to Fireweed■	Replace existing failing water main in Denali Street from Fireweed Lane to Northern Lights Boulevard	\$1,500,000	1.50%	20				7/15/14●	Fix it First
7	156	Palmer◆	AK2226020 (5937)	Palmer Steel Water Main Replacement ¹	Replace old steel water pipe in the northeastern area of the City of Palmer known as the "Sherrod" area.	\$1,285,714	1.50%	20		\$250,000	ENG-BC	6/1/2015	Fix it First

◆ Disadvantage Community (criteria may be referenced on page 13)

■ Equivalency Project (criteria may be referenced on page 12)

● Extra 50 points for construction start by September 15, 2014⁸

Total Requested Amount: **\$14,089,591**

Total Subsidized Amount³: **\$1,769,000**

Total Equivalency Amount: **\$ 9,675,877**

Total Green Amount: **\$ 6,298,300**

¹ Subsidy funding for the Nome - Nome Scclaircore Replacement-Ph III project is limited to available subsidy funds. Additionally, full project funding of the Palmer - Palmer Steel Water Main Replacement project will be dependent upon remaining available loan funds. The Department will negotiate with Palmer to provide additional funds as they become available later in the year.

² Total available project loan funding and subsidy under this Amended IUP is \$13,062,573 and \$1,769,000, respectively.

³ Criteria for being eligible for a loan subsidy may be referenced on page 13 under the narrative section of the IUP.

⁴ Projects which demonstrate adequate criteria for meeting a Green project component will be eligible to receive an additional 25 points.

⁵ Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative. Green Project Justification Type: BC - Business Case / CAT - Categorical.

⁶ Prior to funding any project shown to have a funding subsidy for Green, a Business Case for project Green eligibility must be found justified.

⁷ Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "Improve TFM" - improve technical, financial and managerial capacity of the system; and, "Planning" - planning and development of alternative projects that reflect the full life cycle cost of infrastructure.

⁸ 50 points are only awarded if a feasibility or design study has been completed for the project by the end of the of questionnaire solicitation period.

APPENDIX IVb

ALASKA DRINKING WATER FUND

Project Priority Planning List

ALASKA DRINKING WATER FUND
Funding Priority Planning List - Amended
Fiscal Year 2015

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount ¹	Finance Rate	Term (Yrs)	Subsidy ²	Green Project Amount ³	Green Project Type, ^{4,5}	Estimated Construction Start	Sustainability Policy ⁶
8	156	Nome◆	AK2340010 (3,598)	East Nome Water Replacement	Phased project to replace failed and failing direct buried "Scalcire" water and sewer piping that was installed in the 1980s.	\$2,690,000	1.50%	20		\$2,690,000	ENG-BC	3/1/2014	Fix it First
9	151	Haines◆	AK2110619 (2,508)	AC Pipe Replacement 2015	Replace approx. 3,300' of AC pipe and 1,700' of DIP pipe with C-900 PVC on Small Tracts Rd., View St., First Ave. North, and Front St.	\$2,000,000	1.50%	20		\$2,000,000	WTR-BC	5/1/2015	Fix it First
10	146	Sitka	AK2130075 (8,881)	DeGroff Street Water Improvements	Replacement of the existing aging/failing water system within DeGroff Street between Sawmill Creek Road and Lake Street.	\$1,352,100	1.50%	20		\$162,000	WTR-BC	5/15/2016	Fix it First
11	143	Juneau	AK2110643 (31,275)	Water Main Replace Egan Dr/10th to Main Construct■	Replacement of approximately 4000 feet of water piping within the Egan drive corridor between Tenth Street and Main Street.	\$1,800,000	1.50%	20		\$1,800,000	WTR-BC	4/15/2015	Fix it First
12	141	Dillingham◆	AK2260197 (962)	Drinking Water Improvements	Reevaluate water projects with an updated master plan; conduct hydrologic studies; develop new water sources downtown and at the landfill; and upgrade water distribution piping including meters and leak detection.	\$1,000,000	1.50%	20		\$200,000	ENG-BC	8/1/2014	Fix it First
13	141	Wrangell◆	AK2120143 (2,369)	Water Main Replacement	Replacement of failing ductile iron pipe with HDPE piping in critical areas throughout the water system.	\$542,249	1.50%	20		\$542,249	WTR-BC	6/1/2015	Fix it First
14	131	Ketchikan◆	AK2120323 (8,050)	Chatham Avenue Water Main Replacement	Install 491-lineal feet of 8" HDPE water mains, (2) fire hydrants, and (14) services installed to the edge of the right-of-way, in approximately 540 feet of roadway.	\$864,829	1.50%	20				1/1/2015	Fix it First
15	131	Ketchikan◆	AK2120323 (8,050)	Schoenbar Road Water Main Replacement	Install 1,119-lineal feet of 16" HDPE water mains from the Schoenbar Trail intersection to Valley Forge Road; 200-lineal feet of 4"-10" HDPE water mains throughout the project area; fire hydrants; and multiple gate valves.	\$2,666,535	1.50%	20				1/1/2015	Fix it First
16	128	Juneau	AK2110643 (31,275)	Last Chance Basin Well Field Capacity Improvements■	Install and develop two wells at the Last Chance Basin Well Field to improve capacity, and drill and develop five wells adjacent to existing wells utilizing existing infrastructure.	\$2,000,000	1.50%	20		\$2,000,000	ENG-BC	10/1/2014	Fix it First
17	126	Anchorage	AK2213001 (291,826)	347 Zone Conversion■	Provide system redundancy in the University-Medical District area, decommission select PRVs reducing operating costs, maximize production from Well 4, and reduce transient pressure waves in system.	\$750,000	1.50%	20				9/15/2014	Improve TFM
18	126	Anchorage	AK2213001 (291,826)	430 Zone Conversion■	Convert the 430 HGL zone near Abbott and Elmore and consolidate different portions into either the 475 HGL zone or the 411 HGL zone. The conversion will increase transmission capacity and reducing pressure fluctuations.	\$450,000	1.50%	20				9/15/2014	Improve TFM

◆ Disadvantage Community (criteria may be referenced on page 13)

Total Requested Amount: **\$ 16,115,713**

■ Equivalency Project (criteria may be referenced on page 12)

Total Subsidized Amount³: **\$ -**

● Extra 50 points for construction start by September 15, 2014⁷

Total Green Amount: **\$ 9,394,249**

¹ Total available project loan funding and subsidy under this Amended IUP is \$13,062,573 and \$1,769,000, respectively.

² Criteria for being eligible for a loan subsidy may be referenced on page 13 under the narrative section of the IUP.

³ Projects which demonstrate adequate criteria for meeting a Green project component will be eligible to receive an additional 25 points.

⁴ Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative. Green Project Justification Type: BC - Business Case / CAT - Categorical.

⁵ Prior to funding any project shown to have a funding subsidy for Green, a Business Case for project Green eligibility must be found justified.

⁶ Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "Improve TFM" - improve technical, financial and managerial capacity of the system; and, "Planning" - planning and development of alternative

⁷ 50 points are only awarded if a feasibility or design study has been completed for the project by the end of the questionnaire solicitation period.

ALASKA DRINKING WATER FUND
Funding Priority Planning List (Continued) - Amended
Fiscal Year 2015

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount ¹	Finance Rate	Term (Yrs)	Subsidy ²	Green Project Amount ³	Green Project Type, ^{4,5}	Estimated Construction Start	Sustainability Policy ⁶
19	121	Ketchikan Gateway Borough◆	AK2120323 (13,477)	S. Tongass Water Main - Shoup to Forest Park	Extend the South Tongass water main from Shoup Street to Forest Park Ave. to service the residents of the Forest Park area with domestic water service and fire protection, a distance of some 6200-ft.	\$1,855,303	1.50%	20				4/1/2015	Improve TFM
20	121	Anchorage	AK2213001 (291,826)	Wesleyan Dr-Checkmate to Queen Water Rehab.■	Rehabilitate or replace approximately 2100 feet of 6-inch diameter cast iron pipe that has had a significant history of breaks and emergency repairs.	\$3,300,000	1.50%	20				9/18/2014	Fix it First
21	121	Anchorage	AK2213001 (291,826)	Northern Lights Wesleyan to Bragaw■ ¹	Rehabilitate or replace the existing water distribution main within Northern Lights Boulevard between Bragaw Street and Boniface Parkway.	\$5,000,000	1.50%	20				5/1/2016	Fix it First
22	121	Anchorage	AK2213001 (291,826)	Lake Otis 38th-42nd Water Rehab.■	Upgrade an existing 12-inch cast iron water main with a history of failures along Lake Otis between 38th - 42nd Avenues.	\$2,700,000	1.50%	20				5/1/2016	Fix it First
23	116	Haines◆	AK2110619 (2,508)	Small Tracts Water Main Extension	Extend service to approximately 44 parcels on Small Tracts Road, Small Tracts Spur, and Bear Creek Trail Lane, which are currently not served by the utility and use individual wells.	\$1,725,000	1.50%	20				5/1/2015	Improve TFM
24	111	Wrangell◆	AK2120143 (2,369)	Water Treatment Plant Pilot Study	Pilot study to identify the proper modifications to the current water treatment system that is no longer working effectively in part due to the rapid growth in industry water demand since the plant was constructed.	\$142,020	1.50%	20				N/A	Planning
25	110	ALPAT◆		Sherwood Estates Water Treatment Plant Rehab	Rehabilitation of an Iron and Manganese removal facility, construction of an 18,000 gallon treated water storage tank, and installation of a stand-by generator.	\$198,500	1.50%	20				5/15/2014	Fix it First
26	106	Ketchikan Gateway Borough◆	AK2120323 (13,477)	South Tongass Water System - Phase VI	Construction of booster station, 100,000-gallon steel water tank, and pressure reducing vault for increased storage capacity.	\$1,494,571	1.50%	20		\$750,000	ENG-BC	4/1/2015	Improve TFM
27	106	Haines◆	AK2110619 (2,508)	Piedad Water Tank	Construction of a new 250,000-gallon tank adjacent to the existing chlorination facility, and installation of a PAX mixer to keep the water from freezing.	\$637,500	1.50%	20		\$637,500	WTR-BC	5/1/2015	Improve TFM
28	96	Wrangell◆	AK2120143 (2,369)	Upper Reservoir connection to Water treatment Plant	Finish the partially completed supply line between the upper reservoir and the water treatment plant providing a new connection through the upper dam.	\$517,049	1.50%	20		\$517,049	WTR-BC	4/1/2015	Improve TFM
29	76	Sitka	AK2130075 (8,881)	Alternative Potable Water Supply Development	Develop a groundwater source to include planning, design, drilling production wells, installing piping, pumping, and disinfection capacity to provide the needed 3000-4000 gallons per minute required to Sitka.	\$5,000,000	1.50%	20				5/1/2016	Improve TFM
30	76	Anchorage	AK2213001 (291,826)	Dowling Rd. PRV and 92nd Ave. PRV■	Construct pressure reducing valve vaults near Old Seward and Dowling Road area and the Old Seward and 92nd Avenue area.	\$1,550,000	1.50%	20				6/1/2015	Improve TFM

◆ Disadvantage Community (criteria may be referenced on page 13)

Total Requested Amount: **\$ 24,119,943**

■ Equivalency Project (criteria may be referenced on page 12)

Total Subsidized Amount³: **\$ 0**

● Extra 50 points for construction start by September 15, 2014⁷

Total Green Amount: **\$ 1,904,549**

¹ Total available project loan funding and subsidy under this Amended IUP is \$13,062,573 and \$1,769,000, respectively.

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⁴ Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative. Green Project Justification Type: BC - Business Case / CAT - Categorical.

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**ALASKA DRINKING WATER FUND
Funding Priority Planning List (Continued) - Amended
Fiscal Year 2015**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount ¹	Finance Rate	Term (Yrs)	Subsidy ²	Green Project Amount ³	Green Project Type ^{4,5}	Estimated Construction Start	Sustainability Policy ⁶
31	76	Anchorage	AK2213001 (291,826)	Dowling Rd Water Transmission Main■	Construct a water main between C Street and Minnesota Drive along the ADOT/PF W Dowling Road Phase II corridor.	\$2,400,000	1.50%	20				5/1/2017	Improve TFM
32	76	Anchorage	AK2213001 (291,826)	Reservoir 3 & 4 Circulation Line - Water■	Install yard piping and automated valves for providing Eklutna water directly to Reservoirs 3 and 4 such that excessive reservoir cycling levels no longer occur.	\$1,000,000	1.50%	20				4/23/2015	Improve TFM
33	76	Anchorage	AK2213001 (291,826)	458-424 Zone Merge■	458-424 pressure zone merge will take the 458 zone located around Baxter Bog and consolidate it into the 424 pressure zone.	\$1,000,000	1.50%	20				3/1/2015	Improve TFM
34	76	Anchorage	AK2213001 (291,826)	West Airpark Water Extension■	Extend transmission/distribution mains and constructing possible interties in the vicinity of West Airpark at Ted Stevens Anchorage International Airport (ANC).	\$8,000,000	1.50%	20				7/1/2015	Improve TFM
35	76	Anchorage	AK2213001 (291,826)	Ship Creek Water Treatment Facility■	Removal and replacement of aged equipment and the installation of new instrumentation and controls systems that are at the end of the equipment's service life.	\$1,200,000	1.50%	20				9/22/2014	Improve TFM
36	76	North Pole◆	AK2310675 (2,117)	Water System Emergency Generators	Procurement and installation of emergency backup generators for the water systems three circulation stations.	\$200,000	1.50%	20				6/1/2015	Improve TFM
37	68	Skagway◆	AK2110601 (968)	Redwood water tank	Design and construction of a new 500,000 gallon redwood water storage tank.	\$758,500	1.50%	20				4/15/2014	Improve TFM
38	41	Anchorage	AK2213001 (291,826)	EWTF Facility Plan■	Prepare a facility plan for the Eklutna Water Treatment Facility that will be used as a guide for rehabilitation and renewal of this almost 30 year old facility.	\$450,000	1.50%	20				N/A	Planning
39	41	Haines◆	AK2110619 (2,508)	Moose Lane Water Main Extension	Extend approximately 1,050 feet of 8" PVC water pipe on Moose Lane in Haines in order to bring service to eight developed properties currently not served by the utility.	\$158,000	1.50%	20				6/1/2015	Improve TFM

◆ Disadvantage Community (criteria may be referenced on page 13)

Total Requested Amount: **\$ 15,166,500**

■ Equivalency Project (criteria may be referenced on page 12)

Total Subsidized Amount³:

● Extra 50 points for construction start by September 15, 2014⁷

Total Priority and Planning Amount: **\$ 69,491,747**

Total Green Amount:

¹ Total available project loan funding and subsidy under this Amended IUP is \$13,062,573 and \$1,769,000, respectively.

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Total Green Priority and Planning Amount: **\$ 17,597,098**

APPENDIX V

Public Comments

During the final public comment period of the draft SFY15 ADWF IUP from June 10 – June 19, 2014, no comments were received.

During the public comment period for the draft SFY15 Amended ADWF IUP from December 4 – 13, 2014, only comments from EPA were received. Significant comments are summarized as follows:

- EPA requested that DEC make sure that the changes in the amended IUP are captured in the page 16 FFATA list. Additionally, it was suggested that DEC add in the full amount of the reserved set-asides.

In response, DEC updated the FFATA listing with projects already reported in the national data base for SFY15, and included EPA's suggestion by putting in the total reserved set-asides.