ALASKA DRINKING WATER FUND

STATE WATER LOAN PROGRAM

INTENDED USE PLAN
FINAL

FFY16 Grant Allotment

State Fiscal Year 2017

Submitted to the U.S. Environmental Protection Agency
By
Alaska Department of Environmental Conservation
Division of Water
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ALASKA DRINKING WATER FUND

State Drinking Water Loan Program

Intended Use Plan (IUP)

FINAL – June 2016

PROGRAM OVERVIEW

The purpose of the ADWF is to make low interest loans available to Alaskan municipalities and other qualified entities (communities/systems) 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 (ADEC) 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

ADEC continues to make updates to the Alaska Drinking Water Fund IUP for providing better service to funding recipients and meeting program goals. As mentioned in last year's IUP, we are planning to offer longer term financing for qualified disadvantaged entities, which will allow up to 30 year term financing after a regulation update is completed. More information on the longer term financing can be referenced on page 13.

Also, in SFY17, ADEC plans to again fully pay for administrative expenses for program operations with the annual loan fee account; however, most of these administrative expenses will be paid through the Alaska Clean Water Fund (ACWF) administrative fee account. ADEC charges an annual loan fee in the amount of 0.5 percent of the unpaid loan balance.

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 (SDWA) requirements.
4. Develop and effectively manage a self-sustaining loan program, to facilitate compliance by all public water systems with the 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 continued use of the Loans and Grants Tracking System (LGTS), ADEC will consider a more aggressive lending policy based on the needs of the communities.
6. Commit to entering timely and accurate project and benefits data into the U.S. Environmental Protection Agency (EPA) Drinking Water National Information Management System (NIMS) and Project and Benefits Reporting (PBR) System.
7. Continue to make additional funds available to borrowers. Commitment of additional funds made available to borrowers is based on estimated repayment schedules of future years. This estimate is calculated based on the inclusion of two and a half years' of future loan repayments which better matches the supply of funds needed to meet demand. Future calculations of funds available may be adjusted up or down as conditions warrant.
8. ADEC plans to continue to pay for administrative expenses for the program operations from both the ADWF and ACWF administrative fee accounts. Most of these expenses will be paid from the ACWF administrative fee account until both accounts are more balanced. Accordingly, ADEC will also bank the unused portion of the 4% administrative set-aside under the Federal Fiscal Year (FFY) 16 capitalization grant for future program use.

Short Term

1. Provide low interest loans of $14.6 million for planning, design and construction of facilities that will reduce acute health risks and provide safe drinking water.
2. Continue implementation of program changes that will offer up to 30 year financing for qualified disadvantaged entities.
3. Continue implementing requirements for American Iron and Steel in the program.
4. Provide extra ranking points as an incentive for projects meeting at least one Green Project Reserve (GPR) category for water or energy efficiency improvements.

5. Provide at least 20% ($1,662,400) of the capitalization grant amount as a form of funding subsidy.
6. To show commitment in promoting sustainability of drinking water facilities, ADEC in direction provided under EPA's Sustainability Policy will continue to offer sustainable criteria to project scoring and ranking.
7. ADEC will require the usage of the online payment request system for communities to submit loan payment requests, effective July 1, 2016. ADEC will also continue the process of upgrading LGTS from Access based to web based system to meet information technology state standards.
8. Provide $490,408 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.)
9. Provide $166,240 for operator training and technical assistance for communities with a population of less than 10,000 through Small Systems Technical Assistance Program.
10. Provide $498,720 to Capacity Development to fund activities to support and improve the technical, managerial and financial capacity of public drinking water systems (PWS) in Alaska.
11. Provide $831,200 to supplement State Drinking Water Program Management for SDWA compliance, continued primacy implementation, and public health protection activities.
12. Complete the next capitalization grant agreement for FFY16 Drinking Water State Revolving Fund Allocation.

PROGRAM FUNDING – Funds Available

During SFY17 a total of $14.6 million 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 SFY17. ADEC proposed to provide all $14.6 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 March 22, 2016

Funding Sources:		
Federal Grants		$ 180,607,656
FFY16 Federal Capitalization Grant Request		8,312,000
FFY16 State Match Appropriation		
Bond Proceeds		1,662,400
State Match, prior years		
General Funds	$ 14,137,600	
Bond Proceeds	21,904,380	
Total State Match		36,041,980
Investment Income		12,902,540
Repayments		
Loan Principal	$ 76,133,158	
Loan Interest	13,407,270	
Total Repayments		89,540,427
Projected Repayments SFY16 (3/23/16 - 6/30/16)		1,799,215
Projected Repayments SFY17		10,582,575
Projected Repayments SFY18		10,476,945
Transfer from ACWF		29,000,000
Total Funding		$ 380,925,739
Program Commitments:		
Loan Commitments		
Standard Loans Executed	$ 258,735,879	
Standard Loans Pending*	14,359,000	
Disadvantaged Assistance Loans Executed	7,821,000	
Loans Containing Subsidies	22,689,795	
Total Loan Commitments		$ 303,605,674
Previous Bonding and Transactions Costs		21,949,515
Bonding and Transaction Costs to be Paid		1,664,900
Program Set-Asides		
Administrative Set-Aside	6,871,784	
Source Water Assessment Program	2,682,000	
Capacity Development	9,322,542	
State Drinking Water Program Management	11,664,800	
Wellhead Protection Program	6,306,056	
Small System Technical Assistance	2,295,329	
Total Program Set-Asides		39,142,511
Total Commitments		366,362,600
Available for		$ 14,563,138

*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 FFY16.
- "FFY16 Federal Allocation" is the amount of federal funding available to be requested in the grant application to be submitted to EPA.
- "FFY16 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 FFY16. It includes both general funds and bond receipts.
- "Investment Income" includes interest received on funds invested in the ADWF. These funds are listed in the amount available at the end of SFY16.
- "Repayments" is the total amount of principal and interest repayments made by communities who have borrowed monies from the ADWF.
- "Projected Repayments" is the amount of interest payments, principal repayments anticipated to be received in SFY16, SFY17, and SFY18.
- "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 principal 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 SFY17.
- "Administrative Set-Aside" is the amount of funding that has been set aside for program administrative purposes up to the end of SFY17.
- "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 SFY04. 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 SFY17.
- "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 SFY17.
- "Program Set-Asides, Wellhead Protection Program" is the total amount of funding that has been used for the Wellhead Protection Program up through SFY17.
- "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 SFY17.

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 SFY16	Requested in SFY17	"Banked" Amount
Source Water Assessment Program	$ 2,682,000	2,682,000	$ -	
Capacity Development	$ 9,322,542	8,566,150	756,392	
State Drinking Water Program Management	$ 11,664,800	10,833,600	831,200	
Wellhead Protection	$ 6,306,056	5,815,648	490,408	
Small System Technical Assistance	$ 2,295,329	2,129,089	166,240	373,716
Administrative Set-Aside *	$ 6,871,784	6,871,784	-	686,280

*** ADEC intends to administer the fund by using funds from the ACWF Fee Account and from the ADWF Fee Account if necessary.**

State Match
A capital budget bill that authorizes the required state match of $1,662,400 necessary to capture the FFY16 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, 2016.

Fund Accounting Separation
Two ADEC divisions, Environmental Health and Water, will conduct ADWF activities, but their administrative efforts will be unified through department management. The ADWF, 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 ADEC 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 ADWF Set-Aside funding at 100% federal with the exception of the Program Management Set-Aside, which is drawn at 50% federal. Draws for loan funding are split between state match and federal funding following the grant-specific proportionality rate method.

Administrative Fees
ADEC has instituted an administrative fee structure and has been collecting fees since December 29, 2000. As of March 22, 2016 $5,030,334.06 has been collected. ADEC anticipates collecting additional fees during the remainder of SFY16. Federal law limits the use of these funds to program administration. ADEC plans to draw on these fees to pay for program administration in SFY17.

Funding History
The ADWF was first capitalized in SFY97 with an initial value of $27,984,253. Fund value has grown steadily to its present (March 22, 2016) value of $380,925,739.

Historical Facts about the ADWF Project Fund

As of March 22, 2016:

- 139 projects have reached construction completion and are in repayment status.
- $89,540,427 has been received in repayment principal and interest.
- $5,030,334 has been received in fees.
- 199 loans for a total of $255,855,065 have been made to 35 communities.
- 10 loans for disadvantaged assistance totaling $7,821,000 have been made to 10 communities.
- 20 loans containing subsidies for disadvantaged assistance providing total of $23,102,576 to 12 communities.
- $12,642,990 in investment interest has been earned through March 22, 2016.
- 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.
- $8,566,150 has been set aside for capacity development activities.
- $10,833,600 has been set aside for state drinking water program management activities.
- $5,815,648 has been set aside for wellhead protection.
- $2,129,089 has been set aside for small system technical assistance.

Growth of the ADWF

The ADEC 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. Investment Income and Subsidy Considerations

Earned investment income for the program is currently set as follows:

- 0% interest on loans one year and less;
- 0.5% interest on loans over 1 year and less than 5-years;
- 1% interest on loans 5 to 20-years.

Projections assume that the earnings on invested funds will continue at 1.25%. Original projections that set these rates showed a nominal effect on the long term perpetuity of the program. However, with continued requirements for loan subsidies and the potential of reduced capitalization grants, and the allowance of offering 30 year term financing, new projections are planned this year to assess long term impacts and making necessary rate adjustments for each loan term grouping.

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 – the ACWF fee account will be used this year instead of 4% of the federal capitalization grant
- Small System Technical Assistance – 2% of the federal capitalization grant
- Drinking Water and Wellhead Protection
- Capacity Development

  } 15% of the federal capitalization grant
- State Drinking Water Program Management – 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, 2015 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.

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 are scored and ranked by ADEC staff, using the criteria contained in Appendix III, "Alaska Drinking Water Fund Priority Criteria."

All projects are then 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 is complete, this ranking forms the draft priority list for SFY17. 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

Scoring point incentives are offered to encourage projects to be under construction within one year after signing their funding agreement. The following revised incentives include but are not limited to the following actions.

- If agency plan and specification approval is documented in the project questionnaire by no later than the end of project questionnaire submission period (February 15, 2016), an extra 50 points will be added to the project's overall questionnaire score.
- Any Funding Priority Planning List project which can demonstrate having an agency plan and specification approval in place at the time of issuance of the final IUP, will be allowed to submit a loan application for funding at any time after issuance of the final IUP.

Distribution of Funding for Projects

Appendix IVa shows projects proposed for funding in SFY17. The total amount needed to fund all of the projects on the priority list is $23,087,402. The total amount available, as described on page 6 is $14,563,138. While ADEC intends to fund projects on the priority list in their ranking order, funding down to the Anchorage - Northern Lights Wesleyan to Bragaw project exceeds available funding by $ $8,524,264. We intend to negotiate with Anchorage 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 SFY17. 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 "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 environmental review process.

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 ADEC, 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 SFY17, over 15 percent (which includes the State match) would go to communities with a population of less than 10,000. Since the program's inception, 48 percent of the loans or $155.7 million have been provided to small systems. This well exceeds the 15 percent program requirement for participation by small systems. Although ADEC does not expect to need this, ADEC will bank the excess $107.4 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 23 loans totaling $14,310,258 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
20 to 30 years	ADEC is currently in the process of making a regulation change to allow up to 30 year financing for eligible disadvantaged entities. When the new regulations become effective, an amended IUP will be issued with updated loan rates.

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 FFY16 federal capitalization grant (amount of $8,312,000) requires that a least 20% ($1,662,400) and no more than 30% ($2,493,600) of the grant amount be in the form of additional subsidies. ADEC has chosen to offer a total amount of $1,662,400 of additional subsidization in the form of principal forgiveness

For disadvantage entities, an amount of 50% or up to a maximum amount of $1,000,000 (cumulative per community/system) will be made with funds available if a project meets the follow criteria steps.

1. Project Questionnaire Solicitation

   At the end of project questionnaire solicitation, 65% engineered plans and specifications completion must be provided or verification that submission for ADEC regulatory review has been done. Failure to provide demonstrating documentation may disallow award of a funding subsidy.

2. Project Application

   During the application process for issuance of a loan offer with a subsidy, the project should have 90% engineered plans and specifications completion and be submitted for agency review. Failure to provide demonstrating documentation may disallow award of a funding subsidy.

3. Other Subsidy Funding Requirements

   - Project subsidy funding will be awarded from highest rank projects on down until all funding is utilized.
   - A community/system must submit a loan application within two months upon issuance of the IUP, or subsidy funds may be made available to the next highest ranked eligible project.

   - A community/system 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. If

less than equal an equal amount after one year, a funding subsidy will only be given on expenses incurred to date.

Disadvantaged entities 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 an entity 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 entity within the Borough if the project is solely benefitting just that entity.

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 demonstrate 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.

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, four 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 $3,838,229.

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

Language in EPA's 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)

ADEC 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 ADEC/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. ADEC has chosen to use the equivalency method to meet FFATA reporting requirement. The projects below were selected; however, these may be replaced with other equivalent projects that come in sooner:

Anchorage	SCWTF Comprehensive Improvements	$1,200,000
Anchorage	ARRC Yard 12" Rehabilitation	$2,300,000
Anchorage	ARRC Yard 16" Rehabilitation	$2,567,760*
	Total Amount Reserved for Set-Asides	$2,244,240
		$8,312,000

***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. ADEC commits to entering timely and accurate project and benefits data into PBR.

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

This year's quarterly status reporting will include a recently implemented quarterly financial report. 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.

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.

If approved engineering plans and specifications by a State agency are completed prior to December 16, 2014, and the assistance agreement is signed after September 30, 2015, 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 encouraged to contact ADEC on any national waivers issued for further exemption of this requirement.

For the most up to date information on AIS guidance and waivers, please visit the following EPA web site: http://water.epa.gov/grants_funding/aisrequirement.cfm

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 SDWA allows for up to four percent of the state's annual federal allotment to be used to administer the loan program and for drinking water technical assistance activities. For SFY17, ADEC will bank any unused portion of the allotted amount of $332,480. Administration funding will primarily come from use of the ACWF Fee Account, and from the ADWF Fee Account if necessary.

Small System Technical Assistance

The Small System Technical Assistance (SSTA) activity can use up to two percent of the federal capitalization grant; ($8,312,000 multiplied by two percent equals $166,240). 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 $166,240 of the available funding 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 technical assistance activities carried out by Drinking Water Program staff using $498,720 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."
- Provide technical assistance or coordinate assistance through the various Technical Assistance Provider organizations to PWS owners and operators with a focus on systems that struggle to meet treatment requirements or are listed on EPA's Enforcement Targeting Tool (ETT) List with a score of 11 or higher. 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.
- 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 will 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 $257,672 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 $490,408 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 are not limited to the following:

- Complete PWS source water assessment reports of new PWS sources and also update and complete Quality Assurance/Quality Control (QA/QC) of source water assessments of existing systems.
- Provide review, comments and recommendations on proposed local, state and federal permits for activities that may impact the source water for public water systems.
- Develop and maintain spatial tools for public and governmental agencies to research and identify Drinking Water Protection Areas, contaminant risk and well and aquifer susceptibility. 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 practicing emergency preparedness activities, such as developing response plans.
- Develop guidance documents on emergency preparedness topics such as selecting a mobile water treatment unit, physical security of a PWS, and selecting an alternate water supply.

The Drinking Water Program will 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 SFY17 (FFY16) DWSRF capitalization grant is $1,662,400. The ADEC 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 SFY17. 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 will submit a detailed work plan for the State Drinking Water Program PWSS program set-aside activities to EPA for review and approval.

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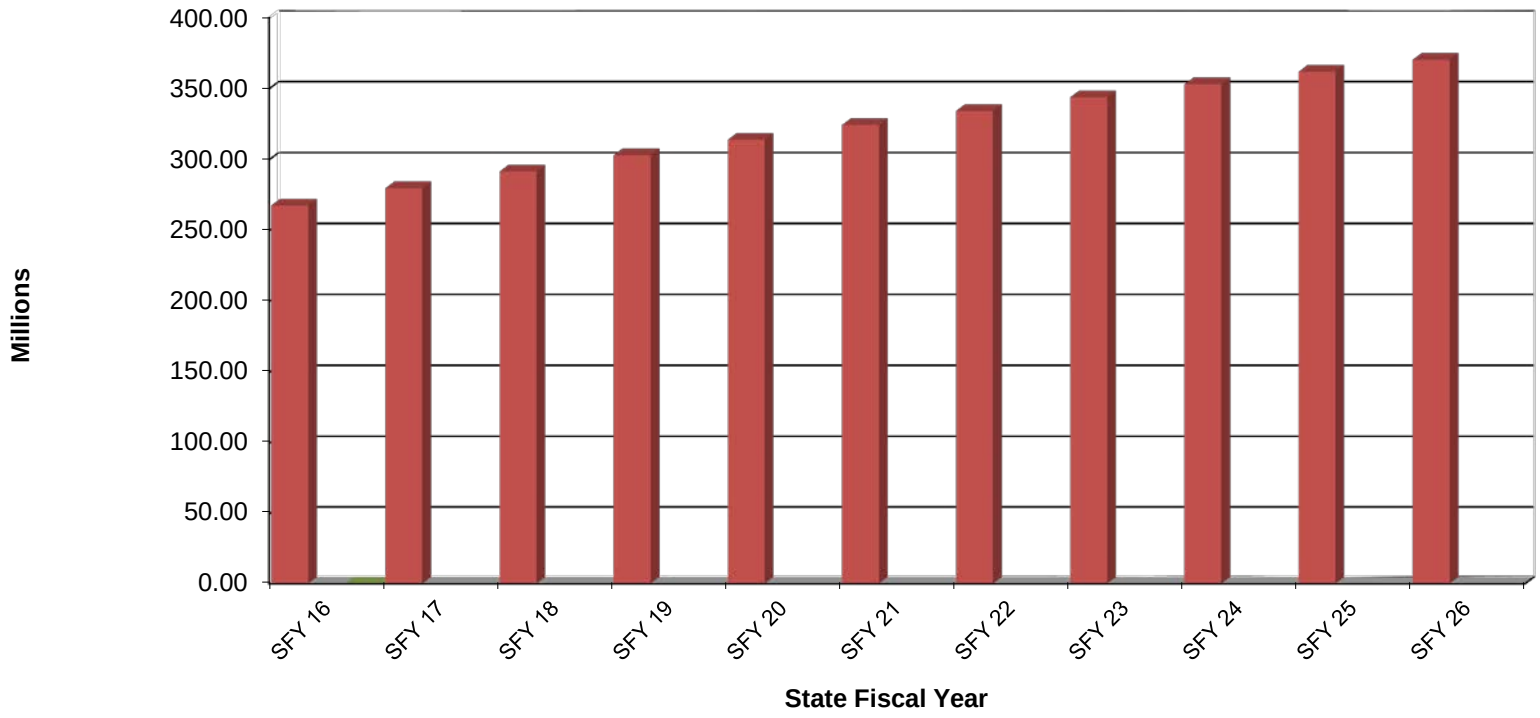
APPENDIX I

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 us 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 FY17 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.

PUBLIC HEALTH (Only one)	Assigned Points
1) This project will correct the cause of a documented human disease event. *Examples include outbreaks of Hepatitis, Giardiasis, and Cryptosporidiosis.*	100
2) This project will provide potable water to a community or area currently not served by piped service. *Examples include existing watering points, existing water buckets/self haul communities or other existing unpiped hauled systems. Projects predominantly for future growth are ineligible.*	75
3) This project will eliminate acute risks to public health. *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.*	75
4) This project will correct potential long-term, chronic health problems or repair or replace serious distribution system problems or leaks. *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.*	50
5) This project will eliminate potential health hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations. *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.*	30
6) This project has no significant health hazards related issues.	0

COMPLIANCE WITH SAFE DRINKING WATER ACT (Only one)	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. *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.*	35
2) This project will resolve a significant compliance issue. *Examples include ETT violations, NOVs and boil-water notices.*	25
3) This project will address a documented compliance issue. *Examples include documented compliance issues that are relatively minor in nature. Documentation can include agency notification letters.*	10
4) This project has no significant compliance related issues.	0

SOURCE WATER PROTECTION

1) Drinking Water Protection Plan is current (within two years) and on file with DEC Drinking Water Program.	5
2) Proposed project specifically addresses vulnerabilities or potential sources of contamination that are identified in the Drinking Water Protection Plan. (Documentation must be provided, and will be verified by DEC).	10

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 water service, 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 on contract the correct level of certified or qualified operators	5
2) Not adequately certified/qualified.	0

ABILITY TO REPAY (Only one)	Assigned Points
1) A viable repayment source has been identified.	5
2) Not yet determined.	0

ADDITIONAL CONSIDERATIONS	
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. Program guidance can be found at the following ADEC web site: http://dec.alaska.gov/water/muniloan/forms.htm	25

APPENDIX IVa

ALASKA DRINKING WATER FUND

Project Priority List

ALASKA DRINKING WATER FUND
Funding Priority List
Fiscal Year 2017

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[7]	Sustainability Policy[8]
1	200	MeadowBrook◆	AK2220037 (465)	MeadowBrook - Arsenic Remediation■	Installation of a large storage tank at the upper end of the subdivision so Wells 1, 2 & 3 (each with arsenic over the MCL) can be taken offline.	$330,000	1.50%	20	$165,000	$50,000	ENG-BC	6/30/2016	Fix it First
2	190	ALPAT - Sherwood◆	AK2224078 (147)	Treatment and Distribution Upgrade■	Upgrade/expansion of iron removal, backwash disposal, treatment automation/scada systems, treated water storage, and approx. 1800 ft 2" steel piping. Improvements will improve capacity and reduce low pressure events.	$363,078	1.50%	20	$181,539	$117,929	ENG-BC	6/1/2016	Fix it First
3	190	Ketchikan◆	AK2120232 (8,250)	Schoenbar Road Water Main Replacement■	Install approximately 1,119-lf of 16" water main from Schoenbar Trail to Valley Forge Road; 200-lf of 4" – 10" water main throughout the project area; and misc. appurtenances. Upgrades will replace failing water main in the area.	$309,195	1.50%	20	$154,597			9/30/2016●	Fix it First
4	190	Ketchikan◆	AK2120232 (8,250)	Chatham Avenue Water Main Replacement■	Install approximately 491-lf of 8" HDPE water mains, 14 services to the edge of the right-of-way, and 2 fire hydrants in approximately 540 feet of roadway. Upgrades will replace failing water main in the area.	$864,829	1.50%	20	$432,414			9/30/2016●	Fix it First
5	156	Nome - NJUS◆	AK2340010 (3,920)	Sclaircore Replacement-Ph III■[1]	Replacement/improvement to the failing 30 year old sclaircore direct bury water systems.	$2,920,300	1.50%	20	$728,850	$2,920,300	ENG-BC	6/1/2016	Fix it First
6	141	Anchorage - AWWU	AK2210906 (221,351)	SCWTF Comprehensive Improvements■	Upgrade and update aging water treatment process infrastructure so the SCWTF can continue to be used as a peaking plant during periods of high water demand as well as for primary supply in the event of an emergency.	$1,200,000	1.50%	20		$750,000	ENG-BC	4/4/2016	Fix it First
7	136	Anchorage - AWWU	AK2210906 (221,351)	ARRC Yard 12" Rehabilitation■	Replace a 12-inch water main on the south side of the ARRC's yard and north of Whitney Road which runs underneath portions of the ARRC's tracks. Upgrades will replace failing water main in the area.	$2,300,000	1.50%	20				2/4/2016	Fix it First
8	126	Anchorage - AWWU	AK2210906 (221,351)	ARRC Yard 16" Rehabilitation■	Rehabilitate 16-inch cast iron pipe on the north side of ARRC's yard that is a primary distribution main to portions of the Ship Creek and port area. Upgrades will replace failing water main in the area.	$3,500,000	1.50%	20				9/15/2016	Fix it First
9	126	Anchorage - AWWU	AK2210906 (221,351)	Lake Otis 36th - 42nd Water Rehabilitation■	Upgrade approximately 1,950 linear feet of existing 12-inch cast iron water main with a history of failures in Lake Otis Parkway between E. 36th and 42nd Avenues.	$2,700,000	1.50%	20				8/1/2016	Fix it First
10	126	Anchorage - AWWU	AK2210906 (221,351)	Northern Lights Wesleyan to Bragaw■[1]	Rehabilitate or replace the existing water distribution main within Northern Lights Boulevard between Bragaw Street and Boniface Parkway. Upgrades will replace failing water main in the area.	$8,600,000	1.50%	20				6/3/2016	Fix it First

◆ Disadvantage Community (criteria may be referenced on page 14)

■ Equivalency Project (criteria may be referenced on page 14)

● Extra 50 points for approval to construct by February 15, 2016

Total Requested Amount: **$23,087,402**

Total Subsidized Amount[3]: **$ 1,662,400**

Total Equivalency Amount: **$23,087,402**

Total Green Amount: **$ 3,838,229**

[1] Subsidy funding for the Nome - Sclaircore Replacement-Ph III project is limited to available subsidy funds. Additionally, full project funding of the Anchorage - Northern Lights Wesleyan to Bragaw project will be dependent upon remaining available loan funds. The Department will negotiate with Anchorage to provide additional funds as they become available later in the year.

[2] Total available project loan funding and subsidy under this IUP is $14,563,138 and $1,662,400, respectively. Equivalency = $8,312,000

[3] Criteria for being eligible for a loan subsidy may be referenced on page 14 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] 50 points are only awarded if plans and specifications have been approved for construction by the end of the of questionnaire solicitation period.

[8] 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.

APPENDIX IVb

ALASKA DRINKING WATER FUND

Project Priority Planning List

ALASKA DRINKING WATER FUND
Funding Priority Planning List
Fiscal Year 2017

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[6]	Sustainability Policy[7]
11	126	Anchorage - AWWU	AK2210906 (221,351)	East 3rd Ave, Post Rd to Ingra Water Upgrade■	Upgrade approximately 1,100 feet of 8-inch cast iron main on East 3rd Avenue between Post Road and Ingra that has experienced a number of corrosion related failures.	$400,000	1.50%	20				6/15/2018	Fix it First
12	126	Sitka	AK2130075 (9,084)	Lake and Monastery Water Improvements	Replace approx. 2,700 LF of cast/ductile iron water main, 47 services, and all associated isolation valves and hydrants on Lake, Monastery, Hirst and Kinkead Streets. Upgrades will replace failing water main in the area.	$2,887,722	1.50%	20		$796,500	ENG-BC	7/1/2019	Fix it First
13	121	Haines◆	AK2110619 (1,463)	Small Tracts Water Main Extension	Extend service to approx. 44 developed parcels (on Small Tracts Road, Small Tracts Spur, and Bear Creek Trail Lane), which are currently not served by the utility, and are susceptible to onsite system contamination.	$1,725,000	1.50%	20				5/1/2017	Improve TFM
14	121	Anchorage - AWWU	AK2210906 (221,351)	Terminal Road Water Rehab 16-Inch■	Upgrade a backbone water distribution main within the Port of Anchorage area that has had a history of corrosion related failures	$1,650,000	1.50%	20				6/15/2017	Fix it First
15	110	Ketchikan◆	AK2120232 (8,250)	Front, Mill, Stedman Water and Sewer Replacement	Upgrade approx. 3,300-lf of water main along South Tongass Highway from the Grant Street intersection to the Deermount Street intersection. Upgrades will replace failing water main in the area.	$5,178,783	1.50%	20				9/30/2016	Fix it First
16	106	Craig◆	AK2120193 (1,200)	Replace 5.5 miles of Raw Water Main	Inspection and replacement of the raw water line from North Fork Lake to the Craig water treatment plant to ensure uninterrupted water flow.	$2,900,000	1.50%	20				10/3/2016	Fix it First
17	106	Unalaska◆	AK2260309 (5,000)	CT and Water Storage Tank	Design and construct a second 2.6 million gallon Chlorine Contact Tank (CT Tank) next to the existing CT Tank located at the City of Unalaska's Water Treatment Plant.	$9,807,280	1.50%	20		$1,340,260	ENG-BC	7/1/2017	Improve TFM
18	106	Haines◆	AK2110619 (1,463)	Cathedral View Pump Station	Installation of a water booster station to increase water pressure to the Cathedral View area.	$450,000	1.50%	20		$6,000	ENG-BC	5/1/2017	Improve TFM
19	101	Anchorage - AWWU	AK2210906 (221,351)	West 8th at L Street Upgrades■	Rehabilitate 380 linear feet of 1950's vintage 6" cast iron pipe that is located in the alley between 7th and 8th Avenues and from I to L Streets. Upgrades will replace failing water main in the area.	$560,000	1.50%	20				7/15/2016	Fix it First
20	100	Golden Heart Utilities◆	AK2310730 (32,324)	Tamarac St. Water Main Replacement	Replace approximately 1,000' of existing 10" 10 gauge thin wall steel pipe along Tamarac Street in the Aurora Subdivision. Upgrades will replace failing water main in the area.	$500,000	1.50%	20				5/1/2017	Fix it First
21	100	Golden Heart Utilities◆	AK2310730 (32,324)	Airport Way Crossing	Replace approx. 700' of 8" 10 gauge steel main pipe crossing Airport Way, and connecting pipe. One crossing will be East of Noble St., and the other West of Noble St. Upgrades will replace failing water main in the area.	$400,000	1.50%	20				5/2/2016	Fix it First

◆ Disadvantage Community (criteria may be referenced on page 14)

■ Equivalency Project (criteria may be referenced on page 14)

● Extra 50 points for approval to construct by February 15, 2016

Total Requested Amount: **$ 26,458,785**

Total Green Amount: **$ 2,142,760**

[1] Total available project loan funding and subsidy under this IUP is $14,563,138 and $1,662,400, respectively. Equivalency = $8,312,000

[2] Criteria for being eligible for a loan subsidy may be referenced on page 14 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] 50 points are only awarded if plans and specifications have been approved for construction by the end of the of questionnaire solicitation period.

[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

ALASKA DRINKING WATER FUND
Funding Priority Planning List (Continued)
Fiscal Year 2017

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[6]	Sustainability Policy[7]
22	91	Craig◆	AK2120193 (1,200)	Spruce Street Storage Tank	Fix tank leaks, install variable frequency drive pump and pressure switch, install associated controls to operate manually or automated, and install automated input pipe with control valve.	$200,000	1.50%	20				10/1/2016	Improve TFM
23	91	Craig◆	AK2120193 (1,200)	Add Baffles to Water Plant Contact Chamber	Installation of baffles to the existing 35,000 chlorine contact chamber and the 165,000 gallon water storage tank. In addition, add an additional 30,000 gallon baffled storage tank.	$588,200	1.50%	20				2/1/2017	Improve TFM
24	81	Wrangell◆	AK2120143 (2,000)	Ash Street Water Main Replacement	Replace water mains along Ash Street to improve water delivery to residents in the area by connecting existing low pressure zones to high pressure zones.	$875,932	1.50%	20				5/1/2017	Improve TFM
25	81	Anchorage - AWWU	AK2210906 (221,351)	Dowling Rd PRV and 92nd Ave PRV■	Construct Pressure Reducing Valve (PRV) Vaults near Old Seward and Dowling Road area and the Old Seward and 92nd Avenue area. Installation of new PRV's will ensure sufficient capacity is maintained in the area.	$1,550,000	1.50%	20				1/15/2017	Improve TFM
26	81	Anchorage - AWWU	AK2210906 (221,351)	Downtown-Kincaid WTM Rehab Ph I-II■	Water transmission main design and construction from the Kincaid Reservoir to Downtown Anchorage. Installation of new main will ensure sufficient water pressure is maintained in the area.	$15,400,000	1.50%	20				11/15/2017	Improve TFM
27	78	Skagway◆	AK2110601 (800)	Redwood water tank	Construct a new redwood drinking water storage tank, which will increase storage capacity from 300,000 gallons to 500,000 gallons.	$970,430	1.50%	20				6/16/2016	Improve TFM
28	76	Anchorage - AWWU	AK2210906 (221,351)	SCWTF Energy Use Rehab■	Energy efficiency upgrades for non-process related items such as building mechanical and facility lighting.	$325,000	1.50%	20		$300,000	ENG-BC	6/1/2017	Improve TFM
29	75	Galena◆	AK2360272 (470)	GILA Campus Domestic Water Line Replacement	Water distribution replacement on the Galena Interior Learning Academy campus. This project replaces an old steam heating system with a new hydronic system, which will ensure greater water system reliability.	$2,000,000	1.50%	20		$2,000,000	ENG-BC	5/23/2016	Improve TFM
30	51	Anchorage - AWWU	AK2210906 (221,351)	SW 260 Zone Capacity Improvements■	Install water main to the SW 260 pressure zone through the Tanglewood Golf Course, and PRV upgrade/construction at Oceanview North & Bowman School. PRV and main upgrades will ensure sufficient capacity in the area.	$6,000,000	1.50%	20				6/15/2017	Improve TFM
31	46	Craig◆	AK2120193 (1,200)	New Water Source Study	A study to look at other local water sources, including incorporating water from the city's prior water source as a supplement to the existing water source. Additional water sources will ensure more reliable service.	$100,000	1.50%	20				2/1/2017	Planning
32	41	Haines◆	AK2110619 (1,463)	Young Road Waterline Relocation	Abandon the existing water line where it crosses private property and construct a new 8" PVC water line in the right-of-way for Barnett Drive and Young Road. Improvement will ensure more reliable service.	$273,200	1.50%	20				5/1/2017	Improve TFM

◆ Disadvantage Community (criteria may be referenced on page 14)

■ Equivalency Project (criteria may be referenced on page 14)

● Extra 50 points for approval to construct by February 15, 2016

Total Requested Amount: **$ 28,282,762**

Total Green Amount: **$ 2,300,000**

Total Priority and Planning Amount: **$ 77,828,949**

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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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APPENDIX V

Public Comments

During the public comment period primary comments were only received from the Department of Environmental Conservation, Operations Assistance Program (OAP). Comments are summarized as follows with Municipal Grants & Loans (MGL) response:

OAP: The ADWF IUP refers to systems having the correct level of certified or qualified operators in a couple sections. Although there is no real harm, the term "qualified operator" has not been used in our regulations in many years.

MGL: The final version of the SFY17 ADWF IUP has been updated and where applicable, removing the outdated term. However, since the SFY17 Questionnaire Scoring Criteria was finalized prior to loan project questionnaire solicitation, an update will be made on next year's scoring criteria form.