

# ALASKA DRINKING WATER FUND

## STATE WATER LOAN PROGRAM

### INTENDED USE PLAN - AMENDED FINAL

FFY13 Grant Allotment

State Fiscal Year 2014



Submitted to the U.S. Environmental Protection Agency

By

Alaska Department of Environmental Conservation

Division of Water

December 2013

# Table of Contents

<b>AMENDED ACTION</b> .....	3
<b>PROGRAM OVERVIEW</b> .....	3
<b>PROGRAM UPDATES</b> .....	4
<b>PROGRAM GOALS</b> .....	4
Long Term.....	4
Short Term.....	4-5
<b>PROGRAM FUNDING</b> .....	5
Funds Available.....	6-7
Set-Asides.....	8
State Match.....	8
Fund Accounting Separation.....	8
Fund Draw Procedures .....	8
Administrative Fees.....	8
Funding History.....	8-9
Growth of ADWF.....	9
1. Capitalization Rate Assumptions .....	9
2. Interest Earnings and Subsidy Considerations .....	9
3. Set-Aside Assumptions .....	9
 <b>PROJECT ASSISTANCE AND ACTIVITIES</b>	
Selection of Projects .....	10
1. Identification of Priority Projects .....	10
2. Compliance Review.....	10
3. Scoring Criteria .....	11
4. Project Incentives .....	11
Distribution of Funding for Projects .....	11-12
Emergency Procedures.....	12
By-pass Procedures .....	12
Additional Loan Fund Policies.....	12-13
1. Small Community Participation .....	13
2. Privately Owned Systems.....	13
3. Financial Terms of Loans.....	13
4. Title II Equivalency Compliance .....	13-14
5. Additional subsidization – Disadvantage Community/System Assistance.....	14
6. Green Project Reserve .....	15
7. Sustainability Policy.....	15
8. Davis-Bacon .....	15
 <b>NON-PROJECT ACTIVITIES</b> .....	16
Administration of the Fund .....	16
Small System Technical Assistance.....	16
Local Assistance and Other Statement Program Set Asides .....	16
1. Capacity Development .....	16-17
2. Wellhead Protection Program.....	17
State Program Management.....	18
 <b>CONTENT OF APPENDICES</b>	

# ALASKA DRINKING WATER FUND

## State Drinking Water Loan Program

### Intended Use Plan - Amended

**FINAL - November 2013**

#### AMENDED ACTION

The 2014 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. Four new projects were added with one listed on the Project Priority List and the other three listed on the Project Priority Planning List. Communities submitting new projects were Sitka, Craig, Juneau and Seward, and the total dollar amount of these projects is \$4,154,000. 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
- State Drinking Water Program Management
- Drinking Water Protection: Wellhead Protection Program and 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 includes but not limited to, executing loans sooner, having project funds disbursed earlier, and having projects go into repayment sooner 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**

The DEC administers the Alaska Drinking Water Fund, 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 to evaluate the benefits of the New Water DWSRF program.

### **Short Term**

1. Provide low interest loans of \$9.6 Million dollars for planning, design and construction of facilities that will reduce acute health risks and provide safe drinking water.
2. Implement a new quarterly project status reporting requirement for all loans issued under the SFY14 IUP.
3. Implement a time limit for borrowers to initially utilize funds under a loan issued under the SFY14 IUP.
4. 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.
5. Provide at least 20% of the capitalization grant amount as a form of funding subsidy.
6. To show commitment in promoting sustainability of wastewater facilities, DEC in direction provided under EPA's Sustainability Policy has added sustainable criteria to project scoring and ranking.
7. 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.
8. Provide \$496,839 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 \$288,420 for operator training and technical assistance for communities with a population of less than 10,000 through Small Systems Technical Assistance Program.
10. Provide \$766,311 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 \$842,100 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 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) 14 a total of \$9.6 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 14 ADEC proposed to provide all \$9.6 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 November 20, 2013

**Funding Sources:**

Federal Grants		\$ 154,528,600
FFY13 Federal Capitalization Grant Request		8,421,000
FFY13 State Match Appropriation		
Bond Proceeds		1,684,200
State Match, prior years		
General Funds	\$ 14,137,600	
Bond Proceeds	17,664,471	
Total State Match		31,802,071
Investment Interest		12,113,958
Repayments		
Loan Principal	\$ 54,651,379	
Loan Interest	10,258,406	
Total Repayments		64,909,784
Projected 2014 Repayments and Investment Earnings		9,800,372
Transfer from ACWF		29,000,000
<b>Total Funding</b>		<b>\$ 312,259,985</b>

**Program Commitments:**

Loan Commitments		
Standard Loans Executed	\$ 232,802,867	
Standard Loans Pending	10,925,500	
Disadvantaged Assistance Loans Executed	7,821,000	
Total Loan Commitments		\$ 251,549,367
Previous Bonding and Transactions Costs		17,664,471
Bonding and Transaction Costs to be Paid		1,689,200
Program Set-Asides		
Administrative Set-Aside	6,517,984	
Source Water Assessment Program	2,682,000	
Capacity Development	6,956,360	
State Drinking Water Program Management	9,064,600	
Wellhead Protection Program	4,771,938	
Small System Technical Assistance	1,775,289	
Total Program Set-Asides		31,768,171
<b>Total Commitments</b>		<b>302,671,209</b>
<b>Net Available for Loans</b>		<b>\$ 9,588,776</b>

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 13.
- “FFY 13 Federal Allocation” is the amount of federal funding available to be requested in the grant application to be submitted to EPA.
- “FFY 13 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 13. 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 13.
- “Repayments” is the total amount of principal and interest repayments made by communities who have borrowed monies from the ADWF.
- “Projected 2014 Repayments and Investment Earnings” is the amount of interest payments, principal repayments and investment earnings anticipated to be received in SFY 14.
- “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 14.
- “Administrative Set-Aside” is the amount of funding that has been set aside for program administrative purposes up to the end of SFY 14.
- “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 14.
- “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 14.
- “Program Set-Asides, Wellhead Protection Program” is the total amount of funding that has been used for the Wellhead Protection Program up through SFY 14.
- “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 14.

## 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 13	Requested in SFY 14	"Banked" Amount
Source Water Assessment	\$ 2,682,000	\$ 2,682,000	\$ -	
Capacity Development	\$ 6,956,360	6,190,049	766,311	
State Drinking Water Program Management	\$ 9,064,600	8,222,500	842,100	
Wellhead Protection	\$ 4,771,938	4,275,099	496,839	
Small System Technical Assistance	\$ 1,777,413	1,486,869	288,420	373,716

## State Match

A capital budget bill that authorizes the required state match of \$1,684,200 necessary to capture the FFY 13 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, 2013.

## 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 Safe Drinking Water Act (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 28.9236% state match, 71.0764% federal.

## Administrative Fees

ADEC has instituted an administrative fee structure and has been collecting fees since December 29, 2000. As of June 25, \$3,250,818 has been collected. ADEC anticipates collecting more fees during 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 three to four years.

## 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 22, 2013) value of \$292,239,347.



**Historical Facts about the ADWF Project Fund**

As of November 22, 2013:

- 93 projects have reached construction completion and are in repayment status.
- \$64,909,784 has been received in repayment principal and interest.
- \$3,250,818 has been received in fees.
- 147 loans for a total of \$216,176,850 have been made to 20 communities.
- 10 loans for disadvantaged assistance for a total of \$7,821,000 have been made to 10 communities.
- \$11,998,891 in investment interest has been earned through June, 2012.
- Administrative funds of \$6,517,984 have been set aside to cover program operating costs.
- \$2,682,000 has been set aside for source water assessments and protection activities.
- \$6,956,360 has been set aside for capacity development activities.
- \$9,064,600 has been set aside for state drinking water program management activities.
- \$4,771,938 has been set aside for wellhead protection.
- \$1,775,286 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
- Loan subsidy
- Interest earnings
- 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 2.5%. 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 – 10% of the federal capitalization grant
- } 15% of the federal capitalization grant

# PROJECT ASSISTANCE AND ACTIVITIES

## Selection of Projects

### 1. Identification of Priority Projects

A mailing was done on December 31, 2012 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 27, 2013 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 SFY14 ADWF IUP. A 10 day public notice was issued on the same day as the electronic mailing and ended on December 6, 2013.

### 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 the Department 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 the Department. 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, the Department 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 the Department 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, the Department 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 14. 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 the Department’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 July 15, 2013, 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 be under construction by July 15, 2013, 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 in SFY 14. The total amount needed to fund all of the projects on the priority list is \$11,254,450. The total amount available, as described on page 6 is \$9,588,776. While the Department intends to fund projects on the priority list in their ranking order, funding down to the Spenard Heights Water – Spenard Heights Distribution System Replacement project exceeds available funding by \$1,665,674. We intend to negotiate with the Spenard Heights Water 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 14. 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.

The Department 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 amended 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 the department.

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**

The Department 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, the Department 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 14, 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, 50 percent of the loans or \$89 million have been provided to small systems. This exceeds the 15 percent goal \$32 million program requirement for participation by small systems. Although ADEC does not expect to need this, ADEC will bank the excess \$57 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 18 loans totaling \$8,957,501 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 FFY13 federal capitalization grant (amount of \$8,421,000) requires that a least 20% (\$1,684,200) and no more than 30% (\$2,526,300) of the grant amount be in the form of additional subsidies. The Department has chosen to offer a total amount of \$1,684,200 as additional subsidization as principal forgiveness.

For disadvantage communities, an amount of 75% or up to a maximum amount of \$750,000 (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:

- MHI (Median Household Income) 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 Borough's 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.

## **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, the Department 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 amended 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 \$4,281,450.

## **7. Sustainability Policy**

DEC is committed to promoting sustainable design and management of wastewater utilities, and clean water resources. 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 the Department and prior to construction to help them comply with Davis-Bacon requirements.

## **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. DEC 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 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
- 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 \$336,840 to administer the fund. 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; (\$8,421,000 multiplied by two percent equals \$168,420). The funds used under the 2% Small System Technical Assistance Set-Aside will continue funding small system training development and classroom training as previously approved by EPA. In addition, Operations Assistance Programs (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 nine OAP staff. ADEC intends to use \$168,420 of the available amount as well as \$120,000 of banked SSTA funds, 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 Certification and Assistance, 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 is requesting \$766,311 for Capacity Development activities. The state plans to supplement completion of some of the capacity development-related activities noted under the Public Water System Supervision (PWSS) Program with funds 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 (TAP) Group to focus on those 54 Alaska water systems with EPA Enforcement Targeting Tool (ETT) Scores greater than 11, and/or 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 sanitary surveys, onsite status component inspections, and comprehensive performance evaluation (CPE) training workshops and actual onsite CPEs in response to turbidity exceedances.



- Continue with completing onsite status component assessments 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 and training on water system capacity (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 utilize \$505,260 of the total amount requested under this set-aside and will submit a detailed work plan for Capacity Development activities to EPA for review and approval.

The Operations Assistance Programs (OAP), a sub-unit of the Facilities section of the Division of Water, is planning to utilize \$261,051 of the total amount requested under this set-aside to continue funding the operator reimbursement program and a variety of capacity development activities, as well as a portion of the personal services costs for 3 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's Drinking Water Program is requesting \$496,839 from the Local Assistance and Other State Programs Set-Aside for Drinking Water and Wellhead Protection activities during FY 2013. The state plans to complete drinking water protection-related activities using funds 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 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 the 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 and training 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 can request on an annual basis up to 10% of the DWSRF capitalization grant for Public Water System Supervision (PWSS) program management activities. This particular set-aside requires an additional 1:1 match by the state program. The Drinking Water Program is requesting \$842,100 from the State Drinking Water Program Management Set-Aside and will use \$842,100 state funds for the 1:1 match requirement for use of this set-aside.

Under the SDWA Section 1452 (g)(2), the state plans to use 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. These activities 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 for new water systems and modifications to existing water systems.
- Regulations implementation for compliance with SDWA requirements and federal 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 2014 (FFY 2013) DWSRF capitalization grant is \$1,705,440. 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) Management set-aside activities to EPA for review and approval.

## **CONTENT OF APPENDICES**

Appendix	I. Cumulative Amount of Loans Provided to 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**

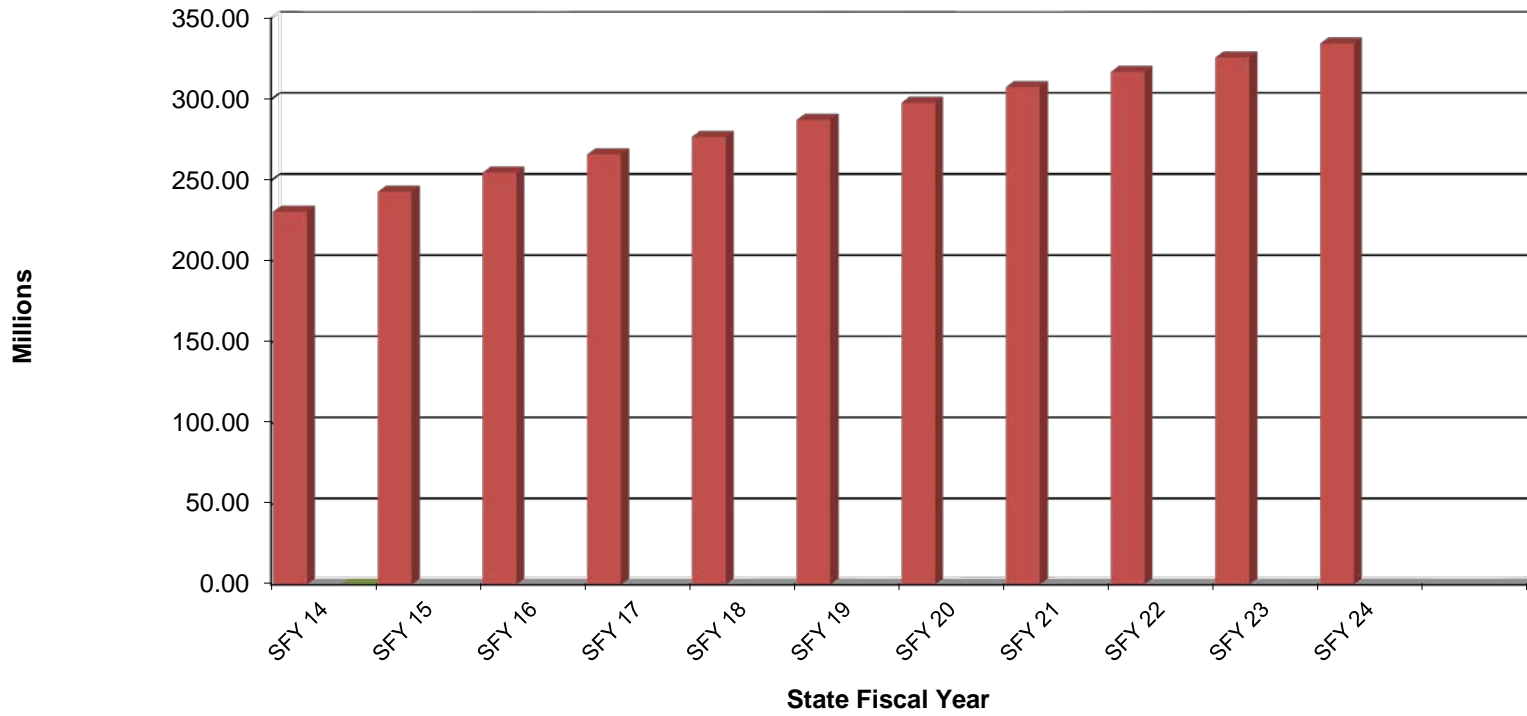
**Cumulative Amount of Loans**

**Provided to Projects**

**ALASKA DRINKING WATER FUND**

Funds Available For Loans

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



# **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 FY14 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.*

Assigned  
Points

## SAFE DRINKING WATER ACT CONSIDERATIONS

### A. PUBLIC HEALTH *(Only one)*

- 1) This project will correct the cause of a documented human disease event. 100 pts  
*Examples include outbreaks of Hepatitis, Giardiasis, and Cryptosporidiosis.*
  
- 2) This project will provide potable water to a community or area currently not served by piped service. 75 pts  
*Examples include existing watering points, existing water buckets/self haul communities or other existing un piped systems. Projects predominantly for future growth or areas served by adequate supplies are ineligible.*
  
- 3) This project will eliminate acute risks to public health. 75 pts  
*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.*
  
- 4) This project will correct potential long-term, chronic health problems or repair or replace serious distribution system problems or leaks. 50 pts  
*Examples include VOC removal, pH adjustment or replacement of wood-stave pipe and/or correction of potential distribution system freeze-up problems.*
  
- 5) This project will eliminate potential health hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations. 30 pts  
*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.*
  
- 5) This project has no significant health hazards related issues. 0 pts

**B. COMPLIANCE WITH SAFE DRINKING WATER ACT** *(Only one)*

- |  |        |
|--|--------|
| 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.<br><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 pts |
| 2) This project will resolve a significant compliance issue.<br><i>Examples include SNC violations, NOVs and boil-water notices.</i>   | 25 pts |
| 3) This project will address a documented compliance issue.<br><i>Examples include documented compliance issues that are relatively minor in nature. Documentation can include agency notification letters.</i>  | 10 pts |
| 4) This project has no significant compliance related issues.  | 0 pts  |

**C. AFFORDABILITY** *(Only one)*

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 pts
Moderate (monthly water cost/monthly income)	0.5% - 1%	6 pts
Low (monthly water cost/monthly income)	< 5%	3 pts

**D. OPERATOR CERTIFICATION**

The system employs, or has access to, the correct level of certified or qualified operators	5 pts
---	-------

**E. LOAN REPAYMENT**

The system has adopted debt retirement or loan repayment measures. This could include a rate structure guaranteeing this debt retirement or other repayment measures as documented by an independent single audit or certified enterprise fund budget documents.	5 pts
--	-------

<b>F. ADDITIONAL CONSIDERATIONS</b>	Assigned Points
1) Construction documents have been prepared and submitted	5 pts
2) A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted.	5 pts
3) This project will result in the regionalization and/or consolidation of two or more existing public water systems.	5 pts
4) An environmental review process has been prepared or completed.	5 pts

**G. SUSTAINABILITY PROJECTS**

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

# **APPENDIX IVa**

## **ALASKA DRINKING WATER FUND**

### **Project Priority List**

**ALASKA DRINKING WATER FUND  
Amended - Funding Priority List  
Fiscal Year 2014**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>4</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>5</sup>	Green Project Amount <sup>6</sup>	Green Project Type <sup>7,8</sup>	Estimated Construction Start	Sustainability Policy <sup>9</sup>
1	250	Cordova ♦	AK2293205 (2,239)	LT2 Compliance Upgrades ■	To meet LT2 compliance requirements, this project will install a UV light system, upgrade the filter system at the Eyak Lake Water Plant, and include other associated appurtenances.	\$1,081,500	1.50%	20	\$811,125	\$458,500	WTR-BC	5/13/2013 ●	Fix it First
2	220	Oasis Water ♦	AK2220135 (135)	Field of View Source Dev. and Tran. Main ■	Upgrade and replace a failed water source with design and construction of a new well source, an associated treatment facility, and a transmission main to deliver finished water to the subdivision.	\$748,650	1.50%	20	\$561,488	\$748,650	ENG-BC	6/3/2013 ●	Fix it First
3	201	Haines ♦	AK2110619 (2,508)	Replace Allen Road AC Pipe ■ <sup>1</sup>	Replace 2,000' of failing and brittle AC pipe with 8" PVC, add four fire hydrants, and repave the road in the construction area.	\$500,000	1.50%	20	\$311,587	\$500,000	ENG-CAT	7/1/2013 ●	Fix it First
4	176	Anchorage	AK2213001 (291,826)	Wonder Park Water Upgrade, Ph II ■ <sup>2</sup>	Improvements include replacing 6 and 8-inch of deteriorating water mains within the Wonder Park Subdivision.	\$1,300,000	1.50%	20				6/3/2013 ●	Fix it First
5	121	Anchorage	AK2213001 (291,826)	ARRC Yard 12" Water Rehabilitation ■ <sup>2</sup>	Replace a deteriorating 12-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.	\$2,700,000	1.50%	20				5/1/2014	Fix it First
6	121	Anchorage	AK2213001 (291,826)	East Bluff Water Rehabilitation, Ph II ■ <sup>2</sup>	Remove/upgrade the last of the known deteriorating woodstave pipe in the AWWU Water Service Area.	\$1,450,000	1.50%	20				6/2/2014	Fix it First
7	116	Anchorage	AK2213001 (291,826)	San Roberto-Klevin To Hoyt Water Rehabilitation ■ <sup>2</sup>	Rehabilitation or replacement of approximately 700ft of 6" deteriorating cast iron water main within San Roberto Street from Klevin Street to Hoyt Street.	\$900,000	1.50%	20				6/2/2014	Fix it First
8	201	Spenard Heights Water	AK2211821 (100)	Spenard Heights Distribution System Replacement <sup>3</sup>	Replacement of substandard distribution system with a new upgraded distribution system which will be connected to AWWU water system upon completion.	\$2,574,300	1.50%	20		\$2,574,300	ENG-BC	5/15/2014	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 July 15, 2013

Total Requested Amount: **\$11,254,450**

Total Subsidized Amount<sup>3</sup>: **\$1,684,200**

Total Equivalency Amount: **\$ 8,680,150**

Total Green Amount: **\$ 4,281,450**

<sup>1</sup> Subsidy funding for the Haines - Replace Allen Road AC Pipe project is limited to available subsidy funds.

<sup>2</sup> Anchorage - Wonder Park Water Upgrade, Ph II, ARRC Yard 12" Water, East Bluff Water, and San Roberto-Klevin To Hoyt Water Rehabilitation projects were bypassed to the priority list to meet minimum equivalency requirements.

<sup>3</sup> Full project funding of the Spenard Heights Water - Spenard Heights Distribution System Replacement 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.

<sup>4</sup> Total available project loan funding and subsidy under this Amended IUP is \$9,588,776 and \$1,684,200, respectively.

<sup>5</sup> Criteria for being eligible for a loan subsidy may be referenced on page 13 under the narrative section of the IUP.

<sup>6</sup> Projects which demonstrate adequate criteria for meeting a Green project component will be eligible to receive an additional 25 points.

<sup>7</sup> 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.

<sup>8</sup> Prior to funding any project shown to have a funding subsidy for Green, a Business Case for project Green eligibility must be found justified.

<sup>9</sup> 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  
Amended - Funding Priority Planning List  
Fiscal Year 2014**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>1</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>2</sup>	Green Project Amount <sup>3</sup>	Green Project Type, <sup>4,5</sup>	Estimated Construction Start	Sustainability Policy <sup>6</sup>
9	151	Sitka	AK2130075 (8,881)	Temporary Filtration at Indian River	Design of a temporary filtration system for Indian River. The temporary system will consists of multiple package plant membrane filter units and tanks, new pumping system, and a full system control panel.	\$3,113,000	1.50%	20		\$150,000	ENG-BC	3/4/2014	Improve TFM
10	150	Kodiak ♦	AK2250011 (6,130)	Monashka Pumphouse Upgrade	Replace the existing Monashka outdated deteriorating pumphouse installed in the mid-1970's with a new pumphouse.	\$6,000,000	1.50%	20		\$6,000,000	ENG-BC	4/14/2014	Fix it First
11	150	Homer ♦	AK2240456 (5,003)	East Hill Water Main/ A-Frame Tank Improvement	Design and construct improvements that will increase water storage; improve water system distribution; improve drinking water quality/public health; and improve treatment plant and water transmission effectiveness.	\$4,800,000	1.50%	20		\$4,800,000	ENG-BC	6/1/2015	Fix it First
12	146	Ketchikan Gateway Borough ♦	AK2120323 (13,477)	South Tongass Water Improvements Main Extension	Extend 2.7 miles of water line from Shoup Street to Forest Park, along South Tongass Highway that will enable residents to convert from private water cisterns to a public water system.	\$1,855,303	1.50%	20		\$1,855,303	ENG-BC	9/4/2013 ●	Improve TFM
13	146	Sitka	AK2130075 (8,881)	Jeff Davis Street Water Main Replacement	Replace aging undersized deteriorating pipe with new larger diameter 16" ductile iron or HDPE water main.	\$812,000	1.50%	20		\$812,000	WTR-BC	5/1/2014	Fix it First
14	146	Sitka	AK2130075 (8,881)	Monastery & Baranof Water - SMC to DeGross	Replacement of the existing old deteriorating cast iron water mains within Monastery and Baranof Streets between Sawmill Creek Road (SMC) and DeGross Street.	\$497,000	1.50%	20		\$497,000	WTR-BC	5/1/2014	Fix it First
15	143	Skagway	AK2110601 (968)	Water Well #4	Design and installation of a new drinking water pump station to ensure adequate supply during high usage demands.	\$262,909	1.50%	20		\$262,909	ENG-BC	6/1/2013 ●	Improve TFM
16	141	Soldotna ♦	AK2241054 (4,163)	Reconstruct failed water reservoir	Re-construct a 1.0MG reservoir in an alternative location due to a structural roof failure.	\$3,000,000	1.50%	20		\$100,000	ENG-BC	8/1/2013	Fix it First
17	141	Nome ♦	AK2340010 (3,598)	East Nome Water Replacement	Replace failed and failing direct buried "Sciacore" water piping that was installed in the 1980s.	\$1,000,000	1.50%	20		\$1,000,000	WTR-BC	3/1/2014	Fix it First
18	141	Craig ♦	AK2120193 (1,201)	Water Main Replacement Project	Replace approximately eight miles of deteriorating raw water and treated water distribution lines.	\$3,150,000	1.50%	20		\$3,150,000	WTR-BC	3/17/2014	Fix it First
19	141	Petersburg	AK2130148 (2,948)	Water Upgrades Phase 2	Upgrade aging failing asbestos cement water lines to reduce treated water loss and cross connection potential in the distribution system.	\$489,825	1.50%	20		\$489,825	WTR-CAT	5/1/2014	Fix it First
20	125	Homer ♦	AK2240456 (5,003)	Homer Source Water Development	To ensure an adequate supply of water in case of failure of the City's current water source, a study and construction of a new drinking water source will be made.	\$13,650,000	1.50%	20				7/8/2013 ●	Improve TFM

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

Total Requested Amount: **\$ 38,630,037**

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

Total Subsidized Amount<sup>3</sup>: **\$ -**

● Extra 50 points for construction start by July 15, 2013

Total Green Amount: **\$ 19,117,037**

<sup>1</sup> Total available project loan funding and subsidy under this Amended IUP is \$9,588,776 and \$1,684,200, respectively.

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

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

<sup>4</sup> 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.

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

<sup>6</sup> 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

**ALASKA DRINKING WATER FUND**  
**Amended - Funding Priority Planning List (Continued)**  
**Fiscal Year 2014**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>1</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>2</sup>	Green Project Amount <sup>3</sup>	Green Project Type, <sup>4,5</sup>	Estimated Construction Start	Sustainability Policy <sup>6</sup>
21	121	Golden Heart Utilities ♦	AK2310730 (31,535)	WWTP Water Main Extension	Expand water distribution system from the corner of Peger and Van Horn Road to the Fairbanks Waste Water Treatment Facility. The project will provide a more reliable supply of water to the treatment facility.	\$1,312,500	1.50%	20				5/30/2013 ●	Fix it First
22	121	Ketchikan ♦	AK2120323 (8,050)	Schoenbar Road Water Main Replacement	Replace deteriorating water lines by installing 1,119-linear feet of 16" HDPE main, Schoenbar Trail intersection to Valley Forge Road; installing 200-linear feet of 4"-10" HDPE mains in the project area; and other upgrades.	\$2,188,648	1.50%	20				1/1/2014	Fix it First
23	121	Ketchikan ♦	AK2120323 (8,050)	Chatham Avenue Water Main Replacement	Replace deteriorating water infrastructure by installing 491-linear 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.	\$906,706	1.50%	20				1/1/2014	Fix it First
24	116	Anchorage	AK2213001 (291,826)	22nd Ave.-Wayne-Illian Water Rehabilitation ■	This project will rehabilitation or replace approximately 1150-feet of 6-inch cast iron water main that was originally installed in 1970.	\$1,500,000	1.50%	20				6/2/2014	Fix it First
25	116	Anchorage	AK2213001 (291,826)	Wesleyan Dr-Checkmate to Queen Water Rehabilitation ■	Rehabilitate or replace approximately 2100 feet of 6-inch diameter deteriorating cast iron pipe that has had a significant history of breaks and emergency repairs.	\$550,000	1.50%	20				5/1/2014	Fix it First
26	116	Wrangell ♦	AK2120143 (2,369)	Water Treatment Plant Pilot Study	A pilot study to identify the most appropriate water treatment system for the water source. The current system is creating a potential health risk and added operational and maintenance costs to the Borough's budget.	\$142,020	1.50%	20		\$142,020	WTR-BC	9/30/2013	Improve TFM
27	116	Golden Heart Utilities ♦	AK2310730 (31,535)	Water Main Reconfiguration	Add or replace approximately 3500 LF of pipe by the hospital to avoid severe pressure fluctuations in the connecting water mains.	\$800,000	1.50%	20				4/15/2014	Fix it First
28	116	Craig ♦	AK2120193 (1,201)	Replace Failing Water Transmission Main	Replace approximately 2,300 linear feet of failing ductile iron water main between the city's treated water storage tank and the community.	\$341,000	1.50%	20		\$341,000	WTR-BC	5/1/2014	Fix it First
29	101	Ketchikan Gateway Borough ♦	AK2120323 (13,477)	South Tongass Water Improvements Phase VI	Construct a booster station, water tank and pressure reducing vault that will provide increased storage and improved water pressure throughout the system for Mt. Point, Ravenwood and Herring Cove.	\$1,569,300	1.50%	20		\$1,569,300	ENG-BC	9/4/2013	Improve TFM
30	101	Sitka	AK2130075 (8,881)	Starrigavan Valley Groundwater Well Development	Development of an alternate/emergency water source will help ensure water service to the community.	\$5,000,000	1.50%	20		\$5,000,000	WTR-BC	5/1/2014	Improve TFM
31	101	Golden Heart Utilities ♦	AK2310730 (31,535)	Valve Replacement Project Phase 2 of 3	Continuation of a valve replacement project to repair or replace failing or failed water main valves throughout the GHU system.	\$400,000	1.50%	20				5/19/2014	Fix it First
32	98	Juneau	AK2110643 (31,275)	Water Main Replacement Egan Drive - 10th to Main Street ■	Project design for replacing a 43-year-old water system along Egan Drive from 10th Street to Main Street. This work includes replacement of approximately 4000' of water piping within the Egan Drive corridor.	\$200,000	1.50%	20				4/15/2015	Fix it First

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

Total Requested Amount: **\$ 14,910,174**

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

Total Subsidized Amount<sup>3</sup>: **\$ 0**

● Extra 50 points for construction start by July 15, 2013

Total Green Amount: **\$ 7,052,320**

<sup>1</sup> Total available project loan funding and subsidy under this Amended IUP is \$9,588,776 and \$1,684,200, respectively.

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

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

<sup>4</sup> 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.

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

<sup>6</sup> 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  
Amended - Funding Priority Planning List (Continued)  
Fiscal Year 2014**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>1</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>2</sup>	Green Project Amount <sup>3</sup>	Green Project Type, <sup>4,5</sup>	Estimated Construction Start	Sustainability Policy <sup>6</sup>
33	91	College Utilities Corporation ◆	AK2310900 (26,500)	Chena Marina	Expand the current water distribution system to provide potable water to approximately 217 residential lots in the Chena Marina area.	\$2,500,000	1.50%	20				5/27/2014	Fix it First
34	78	Seward ◆	AK2240757 (2,693)	Maple Street Water Extension	Install approximately 1400 L.F. of 8" water main, isolation valves, water services stubbed to property lines, fire hydrants, and connect with an existing 8" water main to create a looped system.	\$500,000	1.50%	20				9/1/2014	Improve TFM
35	76	Craig ◆	AK2120193 (1,201)	Water Main Extension to City Subdivision	Extend municipal water distribution mains into the Salmonberry Subdivision and the Tanner Crab Court Subdivision.	\$125,000	1.50%	20				7/8/2013 ●	N/A
36	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.	\$4,000,000	1.50%	20				1/6/2014	Improve TFM
37	76	Anchorage	AK2213001 (291,826)	Northwood Well Transmission Main ■	Extend transmission main from the upgraded North Woods Well site to the Homestead Vault on the Eklutna Transmission main to provide a more reliable water supply.	\$3,000,000	1.50%	20				5/1/2014	Improve TFM
38	71	Anchorage	AK2213001 (291,826)	Reservoir 3 & 4 Circulation Line - Water ■	Provide yard piping and automated valves to provide Eklutna water directly to and through reservoirs 3 and 4 such that reservoir cycling water levels by 20 feet no longer needs to occur.	\$1,000,000	1.50%	20				5/1/2014	Improve TFM
39	71	Anchorage	AK2213001 (291,826)	West Airpark Water Extension ■	Extend transmission/distribution mains and constructing possible interties in the vicinity of West Airpark at the Anchorage International Airport (ANC). The project will help eliminate dead end/single fed lines through looping.	\$4,500,000	1.50%	20				5/4/2015	Improve TFM

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

Total Requested Amount: **\$ 15,625,000**

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

Total Subsidized Amount<sup>3</sup>:

● Extra 50 points for construction start by July 15, 2013

Total Priority and Planning Amount: **\$ 80,419,661**

Total Green Amount:

<sup>1</sup> Total available project loan funding and subsidy under this Amended IUP is \$9,588,776 and \$1,684,200, respectively.

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

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

<sup>4</sup> 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.

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

<sup>6</sup> 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

Total Green Priority and Planning Amount: **\$ 30,450,807**

# **APPENDIX V**

## **Public Comments**

**During the public comment period primary comments were received from EPA. These comments are summarized as follows:**

- EPA requested that DEC delay public noticing the IUP to avoid the need to adjust numbers and percentages (i.e., match, set-asides, amount of additional subsidy, etc.) that feed off the final allotment amount.

In response, DEC noted that a delay on public noticing the IUP was expected, which primarily was due to the anticipation that the final DW allotment number would be provided.

- EPA noted on Page 7, State Match, and this paragraph says that \$1,710,440 is the amount of required state match. However, the amount of required state match for a cap grant of \$8.5 million is \$1,705,440. So this needs to be restated to indicate the amount of required match, and then the estimated transaction costs.

In response, DEC made applicable correction.

- EPA noted on Page 7, Fund Draw Procedures, DEC should add “and other DWSRF Set-Aside” after “ADEC draws administrative...”

In response, DEC made applicable correction.

- EPA noted on Page 14, “8. Davis-Bacon,” that this appears to be boilerplate language from the CWSRF IUP, and should instead speak to D-B application to the DWSRF program.

In response, DEC made applicable correction.

- EPA noted on the Fundable Project List, Appendix IVa, it says “Point Source Funding Priority List”. Question - Is this also carryover from the CWSRF IUP?

In response, DEC noted the error and made applicable correction.

- EPA noted under both Project Lists, Appendix IVa and Appendix IVb, for “Project Descriptions”, most of the descriptions fail to capture the reason for the project, or public health issue that the project will address.

In response, DEC has updated “Project Descriptions” to better detail project need and public health issues.

**The following changes were made to the Project Priority and Planning lists:**

- The following projects were either removed or moved to the planning list:
  - Petersburg – Water Upgrades Phase 2; the project was reduced by 50 points after the community confirmed a later start.
  - Anchorage – 41<sup>st</sup> Cope Northstar Water Upgrades & Calais Subdivision Water Rehabilitation; both projects were removed upon request by the community.
  - Ketchikan Gateway Borough – South Tongass Water Improvements Main Extension; the project was moved to the planning list due insufficient funds.
  - Sitka – Jeff Davis Street Water Main Replacement & Monastery & Baranof Water – SMC to DeGroff; both projects were moved to the planning list due insufficient funds.
  
- The following projects were moved from the planning list to the priority list:
  - Anchorage – ARRC Yard 12” Water Rehabilitation; the project was moved to the priority list to meet minimal equivalency requirements.
  - Anchorage – East Bluff Water Rehabilitation, Ph. II; the project was moved to the priority list to meet minimal equivalency requirements.
  - Anchorage – San Roberto-Klevin to Hoyt Water Rehabilitation; the project was moved to the priority list to meet minimal equivalency requirements.
  
- The following project was added to planning list:
  - Anchorage – 22<sup>nd</sup> Avenue – Wayne – Illian Water Rehabilitation; the project was found to be accidentally left off the draft IUP.

**During the public comment period for the draft SFY14 Amended ADWF IUP from November 27 – December 6, 2013, no comments were received.**