

ALASKA DRINKING WATER FUND

Intended Use Plan

Emerging Contaminants

State Fiscal Year 2027

July 1, 2026 – June 30, 2027

**For Federal Emerging Contaminants
funds appropriated in Federal Fiscal Year 2026**



Submitted to the U.S. Environmental Protection Agency

By

Alaska Department of Environmental Conservation

Division of Water – State Revolving Fund Program

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Acronyms

AAC	Alaska Administrative Code
ACWF	Alaska Clean Water Fund
ADEC	Alaska Department of Environmental Conservation
ADWF	Alaska Drinking Water Fund
AIS	American Iron and Steel
AWIA	America's Water Infrastructure Act of 2018
BABA	Build America, Buy America Act
BIL	Bipartisan Infrastructure Law
CBR	Clean Water Benefits Reporting
CE	Categorical Exclusion
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DBE	Disadvantaged Business Enterprise
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FFATA	Federal Funding Accountability Transparency Act
FFY	Federal Fiscal Year
FOCUS	Financial Operations and Cash Flow Utilization System
GPR	Green Project Reserve
IIJA	Infrastructure Investment and Jobs Act
IUP	Intended Use Plan
MHI	Median Household Income
OASys	Online Application System
PFAS	Per- and Polyfluoroalkyl Substances
PPL	Project Priority List
SERP	State Environmental Review Process
SFY	State Fiscal Year
SRF	State Revolving Fund
WIIN	Water Infrastructure Improvements for the Nation Act of 2016

EXECUTIVE SUMMARY

The Alaska Department of Environmental Conservation (ADEC) State Revolving Fund (SRF) Program is applying for a Drinking Water State Revolving Fund (DWSRF) Emerging Contaminant capitalization grant made available through the Infrastructure Investment and Jobs Act (IIJA) of 2021, also known as the Bipartisan Infrastructure Law (BIL). This Intended Use Plan (IUP) describes the plan for using those funds during State Fiscal Year 2027 (SFY27). This Executive Summary provides a condensed overview of notable program changes and highlights for SFY27.

To qualify for DWSRF Emerging Contaminants funding, a project or activity must otherwise meet DWSRF eligibility requirements, and its primary purpose must be to address emerging contaminants—such as perfluoroalkyl and polyfluoroalkyl substances (PFAS)—in drinking water. All funding from the DWSRF Emerging Contaminants program is provided through the SRF Program as 100% forgivable loans.

Program Changes

The SFY27 IUP is substantially similar to last year's IUP. The SRF Program staff continues to coordinate with the US Environmental Protection Agency (EPA) on program and project requirements specific to the Emerging Contaminants funding source.

Updates to the Project Scoring Criteria (Appendix 1) to place greater emphasis on sustainability, resilience, and security projects apply to all DWSRF projects. Additional points are now awarded to capital projects that improve the ability of existing facilities to withstand and recover from natural and man-made hazards, including extreme storms, floods, earthquakes, landslides, and wildfires. Eligible resilience measures include, but are not limited to, installation of flood barriers, relocation of infrastructure out of high-risk areas, waterproofing electrical components, sealing structures to prevent floodwater intrusion, incorporation of wind-resistant design features, and installation of backup generators.

The project scoring criteria also now prioritize security-focused projects. Points are awarded to projects that either incorporate new or updated cybersecurity technology or enhance the physical security of the utility system with fencing, alarms, surveillance systems or other security measures.

Funding and Financial Assistance Summary

The DWSRF BIL Emerging Contaminants funding was authorized for five years beginning in FFY22. Alaska has already applied for and received the first four years of funding (FFY22–FFY25), totaling \$30,742,000. Alaska's allocation from the FFY26 Emerging Contaminants appropriation is \$7,640,000. In addition, Alaska will apply for \$30,000 in reallootments.

At the time this IUP was prepared, the SRF Program had committed \$5,770,656 to five small rural water systems for Emerging Contaminants projects serving populations that range from 150 to 3,200. Three of these projects address PFAS in drinking water, while the remaining two address elevated manganese levels.

The SRF Program is also processing a \$5.1 million Emerging Contaminant loan application to

extend piped water service to homes currently relying on private wells contaminated by PFAS.

Funding Outlook

The SRF Program will accept project questionnaires throughout the year for eligible DWSRF Emerging Contaminants projects that are prepared to move forward with loan agreements. The Project Priority List currently includes other loan requests totaling approximately \$25 million for Emerging Contaminants projects.

INTRODUCTION

The 1996 amendments to the federal Safe Drinking Water Act (SDWA), authorized the DWSRF, a low-interest loan program, to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the establishment of the low-interest loan program (the DWSRF) and other types of assistance to eligible water systems. In Alaska, this loan program is administered by the ADEC SRF Program.

This IUP, required under the SDWA, describes how Alaska proposes to use available funds for SFY27 from July 1, 2026 through June 30, 2027 provided by federal funds allocated to Alaska through the DWSRF Emerging Contaminants appropriations. Eligibility and program requirements, including any requirements of the applicable appropriations legislation, are also included in the IUP.

After a 30-day public comment period for the draft IUP, all comments were reviewed and considered. All comments received, along with the SRF Program's responses, are included in Appendix 3.

PROGRAM GOALS

Long-Term Goals

1. Assist local communities as they strive to address emerging contaminants in drinking water with a focus on PFAS.

Short-Term Goals

1. Provide DWSRF loans with additional subsidization in the form of principal forgiveness for not less than 100% of the Emerging Contaminants grants.
2. Collaborate with the ADEC Environmental Health Drinking Water Program to identify PFAS-impacted communities.
3. Collaborate with other agencies to determine funding options for impacted communities.
4. Provide technical assistance to entities that request help with emerging contaminant issues.
5. Continue outreach efforts to systems that may be impacted by emerging contaminants to inform them of eligibility, funding availability, and application procedures.

6. Include information in outreach regarding the broader use of Emerging Contaminants funding beyond PFAS contamination including manganese.

EMERGING CONTAMINANTS - ELIGIBLE PROJECTS

Municipalities and privately owned water utilities that are economically regulated by the Regulatory Commission of Alaska may apply for Emerging Contaminants funding. To qualify under this appropriation, a project or activity must meet both of the following requirements:

- It must be otherwise eligible under the DWSRF.
- Its primary purpose must be to address emerging contaminants in drinking water with a focus on PFAS. Projects that address any contaminant listed on any of EPA's [Contaminant Candidate List](#) (i.e., CCL – draft CCL5) are also eligible.

Planning and design projects to improve the capabilities of a system to address emerging contaminants in drinking water with a focus on PFAS are eligible. Also, projects to consolidate water supplies, for example, when a public water supply is contaminated, are eligible for DWSRF assistance.

Planning and design for capital projects, as well as broader water quality planning where there is a reasonable expectation that the planning will result in an eligible capital project, are eligible. Capital costs, e.g., construction activities and equipment purchases for water treatment, are eligible. The DWSRF cannot fund operation and maintenance activities, including monitoring, unless the monitoring is an integral part of the planning and design for a capital project.

Emerging contaminants include substances and microorganisms—whether naturally occurring or manufactured—that are known or anticipated in the environment and may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. These may include chemicals and materials found in personal care products, pharmaceuticals, industrial chemicals, pesticides, and microplastics. Additional information on emerging contaminants is provided in Appendix B of EPA's March 2022 Memorandum, [Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law](#).

LOAN FORGIVENESS

The FFY26 DWSRF Emerging Contaminants appropriation requires that 100% of the capitalization grant, net of set-asides taken, be used to provide additional subsidy to DWSRF projects, and that all additional subsidies must be in the form of assistance agreements with 100% forgiveness of principal or grants. Alaska will use assistance agreements with 100% forgiveness of principal to satisfy this requirement.

DISADVANTAGED COMMUNITY CRITERIA

At least 25% of DWSRF Emerging Contaminants funds must be provided to disadvantaged communities or public water systems serving fewer than 25,000 people. For the grant award anticipated in SFY27, the 25% minimum for disadvantaged borrowers equates to \$1,945,000.

In Alaska, state regulations require that any subsidy provided through the SRF Program be directed to borrowers that meet the State's criteria for disadvantaged communities.

Disadvantaged status is determined using several factors, including the household income burden relative to water and wastewater service costs, rural community designation, the percentage of households receiving nutrition assistance, the percentage of households below the federal poverty level, unemployment rates, and long-term population trends.

ADEC also prioritizes certain project types that impact the long-term economic sustainability of a water system, including projects that address emerging contaminants. Projects focused on Emerging Contaminant issues, as defined in BIL, receive additional points under the disadvantaged community criteria. Additional information about the disadvantaged community criteria is available on the SRF Program website.

CRITERIA AND METHOD FOR FUND DISTRIBUTION

Project Priority List of DWSRF Projects

To be considered for Emerging Contaminant funding from the Alaska Drinking Water Fund (ADWF), a project must appear on the Project Priority List (PPL). The process to add a project to the PPL begins when an eligible borrower completes a project questionnaire through the ADEC Online Application System (OASys).

Questionnaires are accepted year-round and reviewed by a scoring committee four times per year. Submittal deadlines for questionnaire reviews are January 31, April 30, June 30, and October 31. Information about the questionnaire process and submittal dates is available on the SRF Program website. Prior to each review period, ADEC sends email reminders inviting eligible borrowers to submit Emerging Contaminants project questionnaires for funding consideration.

The project scoring committee—comprised of representatives from the SRF Program along with staff from ADEC’s Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs—evaluates each questionnaire using DWSRF criteria and assigns a numerical score. Projects are then placed on the PPL in ranked order.

Emerging Contaminant Project Scoring Criteria

The SRF Program scores all DWSRF eligible projects based on information supplied in the questionnaire in the following categories: public health, water quality, project readiness, asset management, funding coordination, sustainability, operator certification status, affordability of user rates, and green projects. The DWSRF capitalization grants encourage, but do not require, the use of funds to address green projects under the Green Project Reserve (GPR) provision. To incentivize borrowers to include such aspects in their projects (e.g., green infrastructure, water or energy efficiency improvements, or other innovative activities), ADEC awards 25 additional points in the project questionnaire scoring process for eligible green project work.

In SFY27, the Project Scoring Criteria (Appendix 1) was modified to place an emphasis on sustainability, resilience, and security projects. Points are provided to capital projects undertaken to enhance the ability of existing facilities to withstand and recover from natural and man-made disturbances such as extreme storms, floods, earthquakes, landslides, and wildfires. Examples of projects include but are not limited to physical flood barriers, relocation of infrastructure due to hazard areas, waterproofing electrical components, sealing structures to prevent floodwater penetration, adding wind-resistant features, and backup generators.

The project scoring criteria was also modified to place an emphasis on security projects that either incorporate new or updated cybersecurity technology or enhance the physical security of the utility system with fencing, alarms, surveillance systems, or other security measures

In addition to the standard DWSRF scoring criteria, projects that address PFAS contamination in finished water or a cyanobacterial toxin issue will receive additional points during the scoring process. See Appendix 1 for the scoring criteria.

Amendments to the PPL

ADEC will amend the PPL to include additional projects after new questionnaires are reviewed and scored. Projects reviewed and scored will be added to the PPL in ranked order. The amended funding list will be publicly noticed for 10 days.

Project Readiness Bypass Procedure

When available funding exceeds demand, ADEC awards funding to ready-to-proceed projects regardless of project score or ranking, as the Program has sufficient funds to finance all projects. This ensures the timely utilization of federal funds.

In the event the SRF Program does not have sufficient funds available to offer loans to all projects that are ready to proceed, ADEC will work with water systems with the highest-ranked projects on the PPL to ensure that those projects are given a chance to be funded first. However, the final funding selection of projects from the PPL will be based primarily on the projects' readiness to proceed.

Projects that are ready to proceed are prepared to begin design and/or construction and are immediately ready, or poised to be ready, to execute a loan agreement with ADEC. If, for whatever reason, an applicant is not ready to proceed with completing a loan application and initiating a project, ADEC may select a lower-ranking project for funding based on its ability to proceed in a timely manner. This bypass procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

ADEC reserves the right to fund lower priority projects over higher priority projects if, in the opinion of ADEC, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and project initiation (e.g., ADEC has not received the required documents to execute a loan agreement, the project is not ready to proceed with construction, or the applicant withdraws the project for consideration).

In addition, a project may be bypassed, as necessary, for the State to meet federal grant requirements for equivalency and additional subsidy. In the event that two or more projects have the same ranking, preference will be given to projects with the following criteria and in this order: ready to proceed; response to a compliance or legal order with a specific deadline; and inclusion of a green component.

SRF Program staff will regularly evaluate the status of available principal forgiveness funds and the outstanding projects list on the PPL. The intent of this evaluation is to determine if the projects currently identified as receiving principal forgiveness actually are capable of applying for and entering into a loan agreement within the current program year. If a project is determined to be incapable of meeting the program's requirements during this evaluation, that project may be bypassed, and the corresponding principal forgiveness may be awarded to other eligible projects on the PPL. In addition to readiness-to-proceed, a project may be bypassed due to an applicant's inability to meet all other program requirements; failure to develop an approvable, implementable project; or for other reasons applicable under state or federal law. Any projects bypassed during the program year may be reconsidered for principal forgiveness funds in a future year.

PPL Exception for Emergency Declarations

Upon issuance of an emergency declaration by a federal or state emergency response official, or upon a finding by ADEC, SRF funds may be made available for projects not currently included on the PPL if sufficient funds are available. For purposes of the SRF Program, an emergency refers to a natural or man-made disaster that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. Bypass 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.

In a federally declared disaster, a community may receive additional subsidy under the Disadvantaged Community Criteria's Project Priority Type. This allows impacted communities with a federal disaster declaration to apply for a low-interest loan and also qualify for loan forgiveness, if funding is available to provide that additional subsidy.

Removing Projects from the PPL

Projects on the PPL will be monitored to ensure that applicants are proceeding with their projects in a timely fashion. A project may remain on the PPL for a maximum of two years. Projects will retain the same score originally assigned unless a revised questionnaire is submitted and reviewed by the project scoring committee, or the scoring criteria is revised. If an application has not been submitted for a project within two years of the questionnaire submittal, the project will be removed from the list, and a new questionnaire will be required to relist the project.

Amendments to Existing Loans

A borrower may request an amendment to an existing loan agreement to modify the project scope, increase the loan amount, or both. Amendments that solely increase the loan amount by no more than 10% of the original loan amount, up to \$100,000, or minor scope changes that do not affect the location or purpose of the originally proposed project may be completed through an informal request for a loan amendment with the SRF Program Manager's approval.

Amendments that will increase the loan amount by more than 10% of the original loan, or more than \$100,000, and/or include scope modifications that affect the footprint or purpose of the project, are required to be public noticed in an update to the PPL before the loan amendment is issued.

FINANCIAL STATUS

Sources and Uses of Funds

Alaska's allotments and re-allotments from the FFY22-FFY26 federal appropriations are listed below. No state match is required for these allotments. The amount available for Emerging Contaminant loans is the difference between the sum of the federal grants received and total program commitments, including loans issued and set-asides used.

Table 1. Estimated Available Funding

Sources of Emerging Contaminant Funds	
Federal Capitalization Grant FFY22	\$7,555,000
Federal Capitalization Grant FFY23	\$7,690,000
Federal Capitalization Grant FFY24	\$7,640,000
Federal Capitalization Grant FFY25	\$7,640,000
Federal Capitalization Grant FFY26	\$7,640,000
SFY26 Reallotment FFY22	\$12,000
SFY26 Reallotment FFY23	\$205,000
SFY27 Reallotment FFY22	\$1,000
SFY27 Reallotment FFY23	\$29,000
State Match for FFY22-26 Grants	\$0
Total Sources of Funds	\$38,412,000
Uses of Emerging Contaminant Funds	
Small System Technical Assistance (2%)	\$456,700
Administration and Technical Assistance (4%)	\$616,480
Program Management (10%)	\$1,549,700
Local Assistance (15%)	\$2,699,937
DWSRF Emerging Contaminants Loans Issued	\$5,770,656
Total Uses of Funds	\$11,093,473
Funds Available for Emerging Contaminant Loans	\$27,318,527

Set-Aside Summary

States are given flexibility to set aside specified amounts of the Emerging Contaminants grant for specific activities. The SDWA authorizes each state to set aside a maximum of approximately 31% of the capitalization grant for set-aside activities, including administration of the loan fund and assistance to water systems in meeting SDWA requirements. ADEC evaluated each of the four set-aside activities with the goal of protecting public health while maximizing loan fund dollars for infrastructure improvement projects.

In support of the long- and short-term goals of the DWSRF, set-aside funds are used to fund a variety of technical assistance and capacity development activities. Detailed work plans for each set-aside will be submitted for EPA review within 90 days of award of the capitalization grant.

Per EPA Policy Memo of February 9, 1999, the SRF Program can reserve 1452 (g) (2) (B) Set-Aside funds that it intends to use at a later time and for which a workplan has not been prepared. A state may reserve the authority to access up to 16% of a year's capitalization grant from a subsequent grant, to be used for the activities allowed under the Small System Technical Assistance set-aside (2%), Administration and Technical Assistance set-aside (4%), and the State

Program Management set-aside (10%). When “banking” set-aside funds in this manner, the value of the banked funds from the current capitalization grant is placed in the loan fund. When banked funds are used from a new capitalization grant, the total set-aside use may exceed 31% of the current grant.

There is a federal limit on the amount of funds used for each set-aside category and the types of activities funded. In accordance with keeping unliquidated obligations at a minimum, ADEC will fully expend set-aside funds within a two-year period. Set-aside use in SFY27 is based on the \$7,640,000 Emerging Contaminants grant amount and does not include the re-allocation amounts.

Set-Aside for Small System Technical Assistance (2%)

The SDWA allows states to set aside up to 2% of each capitalization grant to fund technical assistance services to small water systems that serve fewer than 10,000 people. In SFY27, Alaska will bank the authority to use \$152,800 for eligible activities.

Set-Aside for Administration and Technical Assistance (4%)

The 2016 WIIN Act provisions provide states with three options with regard to the amount used for this set-aside, whichever is greatest, as listed below:

- Four percent of all capitalization grants for this fiscal year,
- Flat \$400,000, or
- 1/5 percent of the total valuation of the state revolving fund balance.

During SFY27, Alaska’s DWSRF capitalization grant awards total \$36,400,000 as itemized in the list below:

Table 2. SFY27 Capitalization Grant Awards

Capitalization Grant	Amount
FFY26 Base	\$3,842,000
FFY25 General Supplemental	\$24,898,000
FFY26 Emerging Contaminants	\$7,640,000
FFY22 and FFY23 Emerging Contaminants Re-allotments	\$30,000
Total	\$36,410,000

In total, Alaska may use \$1,456,400 for DWSRF administration or reserve (bank) that amount, or a portion thereof, for future use.

Alaska plans to bank 4% of the FFY26 Emerging Contaminants grant (\$305,600) for future eligible set-aside activities associated with emerging contaminants. to continue work to obtain baseline per- and polyfluoralkyl substances (PFAS) levels in community water systems in Alaska to identify PFAS contaminants that may be impacting public water supply and to prepare for the EPA PFAS Rule monitoring and corrective action requirements.

Set-Aside for State Program Management (10%)

The SDWA allows states to set aside up to 10% of each capitalization grant to fund program management activities. In SFY27, Alaska will use \$764,000 for the DW Program's management activities.

Set-Aside for Local Assistance (15%)

The SDWA allows states to set aside up to 15% of each capitalization grant to fund various state drinking water protection initiatives. The DW Program will use \$1,146,000 to address emerging contaminants issues. No more than 10% of the annual DWSRF grant can fund any one initiative.

Reserved Set-Aside Authority

Federal regulations allow unutilized authority for some of the drinking water set-asides (Administrative, Small System Technical Assistance, and State Program Management) to be designated for future use from future capitalization grants. Given the narrower eligibilities under the Emerging Contaminants appropriations, future use of authority reserved under Emerging Contaminant capitalization grants will be limited to eligible uses under the Emerging Contaminants grants. The balances for reserved authority specific to Emerging Contaminants grants are shown in the table below.

Table 3. Reserved Set-Aside Authority

	Technical Assistance (2%)	Administration (4%)	State Program Management (10%)
FFY22 Grant	\$0	\$0	\$755,500
FFY23 Grant	\$153,800	\$307,600	\$769,000
FFY24 Grant	\$152,800	\$305,600	\$764,000
FFY25 Grant	-\$148,460	\$0	\$0
FFY26 Grant	\$152,800	\$305,600	\$0
Total Reserved Authority Available	\$310,940	\$918,800	\$2,288,500

Administrative Fee

Financing through the Emerging Contaminants funding source will be provided as loans with 100% principal forgiveness. An administrative fee equal to 0.5% of the total disbursed amount will be charged, as required under Title 18, Chapter 76 of Alaska Administrative Code (18 AAC 76). Revenue from this fee is deposited into the ADWF Fee Account, which is maintained separately from the regular loan fund and used exclusively to pay program administrative costs. As of April 22, 2026, the ADWF Fee Account balance is \$7,278,678.

Loan Terms and Finance Rates for Eligible Projects

If the proposed project includes components that do not pertain to emerging contaminants, or if additional financing is requested in excess of funding available through the Emerging Contaminants funding source, the borrower may request additional loan funds for DWSRF eligible project activities. The additional loan funds would be subject to repayment according to the loan terms and finance rates applicable to the SRF Program.

Table 4. Finance Rates for SRF Loans

Loan Term	Finance Rate for any Bond Rate*	Finance Rate for Bond Rate*
	Less than 4 Percent	Greater than 4 Percent
20-30 Years	2	$2 + (0.75 \times [\text{Bond Rate}^* - 4])$
5-20 Years	1.5	$1.5 + (0.625 \times [\text{Bond Rate}^* - 4])$
0-5 Years	1	$1 + (0.5 \times [\text{Bond Rate}^* - 4])$
<1 Year	0.5	0.5

*Bond Buyer's Municipal Bond Index Current Day – Yield to Maturity

Fund Transfer

The SRF Program is allowed to transfer funds between the DWSRF Emerging Contaminants Grant and the Clean Water State Revolving Fund (CWSRF) Emerging Contaminants Grant in order to assure adequate capacity to meet demands. A fund transfer has not been requested in SFY27. However, in accordance with the Safe Drinking Water Act Section 302 fund transfer provisions, ADEC hereby reserves the authority "to transfer an amount up to 33% of the DWSRF program capitalization grant to the CWSRF program or an equivalent amount from the CWSRF program to the DWSRF program."

FEDERAL REQUIREMENTS

Loan agreements will include all applicable federal requirements. The following federal requirements are required of all DWSRF Emerging Contaminants funding recipients:

Build America, Buy America Act

The Build America, Buy America (BABA) provision requires domestic preference procurement for iron and steel products, manufactured products, and construction materials.

American Iron and Steel

The American Iron and Steel (AIS) provision requires SRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance or repair of a public water system. Compliance with BABA iron and steel provisions will satisfy the AIS requirements.

Davis-Bacon Act Wage Requirements

ADEC requires the inclusion of specific Davis-Bacon contract language in bid specifications and/or contracts and confirms that the correct wage determinations are being utilized. In addition, ADEC collects certifications of Davis-Bacon compliance from online project quarterly report statements.

Environmental Review

All proposed construction activities funded by the SRF Program undergo an environmental review in conformance with the EPA-approved State Environmental Review Process.

Disadvantaged Business Enterprise

Loan recipients and their contractors must comply with the federal Disadvantaged Business Enterprise requirements.

Signage to Enhance Public Awareness

To enhance public awareness of EPA funding associated with SRF loans, the SRF Program posts project notices for all equivalency projects on the SRF Program's website.

Single Audit

Borrowers who have received federal funds through ADEC's SRF Program may be subject to the requirements of the Single Audit Act and 2 CFR 200.

ASSURANCES AND CERTIFICATIONS

The Operating Agreement, as well as each capitalization grant, contains conditions that must be met. ADEC is committed to complying with all conditions in both the Operating Agreement and each capitalization grant.

Expeditious and Timely Expenditure

The SRF Program will strive to enter into binding commitments with the recipients equal to the amount of the available capitalization grant within one year from funds receipt and spend the capitalization grant in a timely and expeditious manner. To promote timely commitment and use of Emerging Contaminants funds, the SRF Program is working closely with borrowers with projects on the PPL. Taking into account the complexity of the proposed projects, the SRF Program provides technical assistance, as necessary, to help borrowers with completing the SRF application.

Fund Accounting Separation

The ADWF was established by statute as an enterprise fund of the State to serve as a revolving fund for financing water system improvement projects. Funds allocated for set-aside activities authorized in the SDWA are held in separate accounts; therefore, loan fund activities and set-aside activities are distinct and separate.

Financial Planning and Long-Term Financial Health

The SRF Program periodically evaluates the financial status and health of the ADWF by reviewing repayments, disbursements and pending loan actions in order to assess the available funding for loans. This evaluation occurs when the PPL is updated four times per year. The SRF Program is also subject to an annual audit that, in addition to providing the net position of the fund, also ensures that financial statements are presented accurately and in conformity with generally accepted accounting practices. The SRF Program has incorporated FOCUS, a cash flow modeling component into the Loan and Grants Tracking System (LGTS), and as indicated in goals for the base and General Supplemental capitalization grants, is working through the process to fully implement and integrate this tool into the existing financial planning process to support fiscal sustainability in accordance with 40 CFR 35.355(c)(3)(v).

Federal Reporting

EPA's SRF Data System (previously identified as the Project Benefits Reporting (PBR) database) collects project-level information and anticipated environmental benefits associated with DWSRF projects. This system is also used to collect annual financial information, which was formerly collected through the National Information Management System (NIMS). This annual information submittal is used to produce annual reports that provide a record of progress and accountability for the Program. EPA uses the information provided to oversee the DWSRF state programs and develop reports to the U.S. Congress concerning activities funded by the DWSRF Program. ADEC commits to entering benefits information on all projects into the SRF Data System by the end of the quarter in which the assistance agreement is signed. ADEC also commits to entering all program information into the SRF Data System on an annual basis as EPA requests.

Federal Funding Accountability Transparency Act

All projects on the Emerging Contaminants PPL are subject to equivalency requirements and will be required to meet all of the federal requirements. New Emerging Contaminants loan commitments will be reported in the System for Award Management (SAM.gov) no later than the end of the month following the date of a finalized loan agreement.

Capacity Development

ADEC will comply with the requirements of the capacity development authority, capacity development strategy, and operator certification program provisions in order to avoid withholdings of funds under § 35.3515(b)(1)(i) through (b)(1)(iii). The capacity development strategy was updated in 2022 to comply with America's Water Infrastructure Act requirements and approved by EPA. The Capacity Development and Technical Assistance activities funded through DWSRF Set-Asides will align with these approved strategies. Specific set-aside activities related to capacity development will be described in the Set-Aside work plans submitted to EPA and summarized in annual operator certification and capacity development reports submitted to EPA for review and approval.

PUBLIC REVIEW AND COMMENTS

A notice of availability of the draft IUP was emailed directly to past, present and potential SRF borrowers and other stakeholders around the state. In addition, a notification about the availability of the draft IUP was distributed to 165 local governments through the Alaska Municipal League. The notice of public comment was also posted on the ADEC Public Notice website and on the SRF Program website throughout the 30-day comment period from June 17 through July 17, 2026.

In addition, the SRF Program presented information about the IUP at the Alaska Municipal League's regularly scheduled online office hour for water and wastewater infrastructure issues on June 16, 2026.

Appendix 3 includes the comments received and the responses from the SRF Program.

Appendix 1. Project Scoring Criteria

The project scoring criteria is used to numerically rank projects for potential funding assistance from the SRF Program.

Project Scoring for Point Source Projects

PUBLIC HEALTH	POINTS
This project will correct the cause of a human disease event documented by ADEC or a recognized public health organization.	100
This project will correct conditions severe enough that a disease event may occur, although an event may have not yet been reported.	75
This project will minimize public health threats where the potential for a disease event exists.	50
This project will minimize potential future public health problems. There is no current threat of a disease event.	25

WATER QUALITY – PROTECTION OF UNIMPAIRED WATER BODY	POINTS
The goal of the proposed project is prevention of water pollution in an unimpaired waterbody (Category 2 or Category 3) as reported in the Integrated Report (https://dec.alaska.gov/water/water-quality/).	35

WATER QUALITY – RESTORATION OF IMPAIRED OR POLLUTED WATERBODY	POINTS
The goal of the proposed project is to reduce pollution/improve water quality in a waterbody identified as impaired or polluted (Category 4 or Category 5) in the Integrated Report (https://dec.alaska.gov/water/water-quality/).	
This project will reduce pollution to the waterbody that may not be specifically related to impairment.	35
This project will reduce pollution to the waterbody that may not be specifically related to impairment.	25
This project will minimize the potential for future pollution event.	10

RECEIVING WATERS	POINTS
This project addresses direct impacts to surface water or groundwater.	10
This project addresses direct impacts to marine waters or estuaries.	5
This project addresses indirect impacts to surface water or groundwater.	5

PROJECT READINESS	POINTS
100% design plans and specifications have been finalized and fully detailed for bidding or construction. Documentation is required.	50
65% preliminary plans, specifications and cost estimate have been developed. Documentation is required.	40
35% preliminary plans have been developed. Documentation is required.	30
Projects that can demonstrate authorization to incur debt through an assembly/council resolution or through successful voter authorization, as appropriate.	20
Key planning document(s) have been prepared for the proposed project, e.g. preliminary engineering report, feasibility study, alternatives analysis. Documentation is required.	10

ASSET MANAGEMENT	POINTS
An asset management plan that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget, has been adopted and implemented within the past 5 years. Documentation is required.	30
An asset inventory has been prepared and is attached. The asset inventory must meet the requirements as outlined in the SRF Asset Inventory Guidance. Documentation is required. (https://dec.alaska.gov/media/ntcj1ess/srf-asset-inventory-guidance.pdf)	20
An asset management plan will be prepared or updated as part of the proposed project. Completed plan to be provided to SRF.	15
An asset inventory will be prepared as part of the proposed project. Completed inventory to be provided to SRF.	10
Employees have attended an asset management training, approved by ADEC Operator Training and Certification Program for Continuing Education Units (CEUs), within the last year. Documentation is required.	5

FUNDING COORDINATION	POINTS
This loan will be used to match other state or federal funds, or this project will be coordinated with another municipal/state/federally funded project (e.g. DOT road construction). Documentation is required.	15

SUSTAINABILITY, RESILIENCY and SECURITY PROJECTS	POINTS
Resiliency-Related Infrastructure Improvements – Capital projects undertaken to enhance the ability of existing facilities to withstand and recover from natural and man-made disturbances such as extreme storms, floods, earthquakes, landslides and wildfires. Examples of projects include but are not limited to physical flood barriers, relocation of infrastructure due to hazard areas, waterproofing electrical components, sealing structures to prevent floodwater penetration, adding wind-resistant features, backup generators.	50
Effective Utility Management – Plans, studies and projects that improve the technical, managerial and financial capacity of assistance recipients to operate, maintain and upgrade their infrastructure. Improved stewardship of existing infrastructure will help improve sustainability and extend the useful life of the system. Examples include but are not limited to rate studies, master plans, risk and resilience assessments, emergency response plans.	25
Security – Enhance the physical security of the utility system with security fencing, alarms, surveillance systems or other security measures. Incorporate new or updated technologies to enhance cybersecurity.	25

GREEN PROJECT RESERVE	POINTS
Water Efficiency – Improvements to deliver better services with less water consumption.	25
Energy Efficiency – Use of improved technologies and practices to reduce energy consumption of water quality projects.	25
Green Infrastructure – Infrastructure with a focus on conserving water.	25
Environmentally Innovative – Demonstrate an approach that manages water resources in a sustainable way.	25

OPERATOR CERTIFICATION	POINTS
The system employs, or has on contract, an operator certified to the level of the system.	5

AFFORDABILITY	POINTS
Monthly wastewater residential user fee is greater than 2% of monthly Median Household Income.	15
Monthly wastewater residential user fee is greater than 1% and less than 1.99% of monthly Median Household Income.	10
Monthly wastewater residential user fee is less than 1% of monthly Median Household Income.	5

EQUIVALENCY (To be completed by ADEC)	POINTS
This project will be assigned all applicable federal conditions in order to meet equivalency requirements associated with the federal capitalization grant.	50

Project Scoring for Nonpoint Source Projects

WATER QUALITY CONSIDERATIONS – PROTECTION OF UNIMPAIRED WATERBODY	POINTS
The goal of the proposed project is prevention of nonpoint source water pollution in an unimpaired waterbody (Category 2, Category 3, or uncategorized) as reported in the Integrated Report.	60
This project has minimal impact protecting water quality.	0

WATER QUALITY CONSIDERATIONS – RESTORATION OF IMPAIRED WATERBODY	POINTS
The goal of the proposed project is to reduce pollution/improve water quality in a waterbody identified as impaired or polluted (Category 4 or Category 5) in the Integrated Report.	-
This project will reduce pollution to the waterbody specifically related to the impairment.	75
This project will reduce pollution to the waterbody that may not be specifically related to the impairment.	50
This project has minimal impact on restoring water quality.	0

PROJECT READINESS	POINTS
100% design plans and specifications have been finalized and fully detailed for bidding or construction.	25
65% preliminary plans, specifications and cost estimate have been developed.	20
35% preliminary plans have been developed.	15
The applicant has obtained authorization to incur debt through an assembly/council resolution or through successful voter authorization, as appropriate.	10
Key planning document(s) have been prepared for the proposed project, e.g. preliminary engineering report, feasibility study, alternatives analysis.	5
No project development has been accomplished.	0

FUNDING COORDINATION	POINTS
This loan will be used to match other state or federal funds, or this project will be coordinated with another municipal/state/federally funded project (e.g. DOT road construction). Documentation is required.	15

GREEN PROJECT RESERVE	POINTS
Water Efficiency – Improvements to deliver better services with less water consumption.	25
Energy Efficiency – Use of improved technologies and practices to reduce energy consumption of water quality projects.	25
Green Infrastructure – Infrastructure with a focus on conserving water.	25
Environmentally Innovative – Demonstrate an approach that manages water resources in a sustainable way.	25

2026 – 2030 NONPOINT SOURCE MANAGEMENT PLAN IDENTIFIED PRIORITIES	POINTS
The project is in an underserved community with a population of less than 10,000 people.	15
The project implements Best Management Practices (BMP) designed to reduce nonpoint source pollution.	10
The project conducts education or outreach related to reducing nonpoint source pollution.	10
The project evaluates which BMPs are most effective for Alaska's environment to reduce nonpoint source water pollution.	10

EQUIVALENCY	POINTS
This project will be assigned all applicable federal conditions in order to meet equivalency requirements associated with the federal capitalization grant.	50

Project Scoring for Emerging Contaminants Projects

For a project to be eligible for Emerging Contaminants funding, the primary purpose must be to address emerging contaminants in wastewater effluent, groundwater, or surface water. Emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. Projects that address one or more of the following five areas of emerging contaminants are eligible for Emerging Contaminants funding through the Alaska Clean Water Fund.

1. PFAS and other persistent organic pollutants (POPs). Priority points are given to projects that address PFAS.
2. Biological contaminants and microorganisms
3. Some compounds of pharmaceuticals and personal care products (PPCPs)
4. Nanomaterials
5. Microplastics/Nanoplastics

For point source projects only, if the proposed project addresses emerging contaminants in treated effluent from a wastewater treatment facility, select the appropriate concentration in the treated effluent. Documentation of the PFAS concentration is required. A map of the Source Water Protection Area is also required for indicated categories.

TREATED EFFLUENT PFAS CONCENTRATION	POINTS
Concentration greater than or equal to 70 parts per trillion (ppt)	25
Concentration of 20 to 69 ppt and point of discharge is within Zone A of Public Water System's (PWS) Source Water Protection Area (SWPA)	20
Concentration of 20 to 69 ppt and point of discharge is within Zone B of a PWS SWPA	15
Concentration of 20 to 69 ppt and point of discharge is <u>not</u> within Zone A or B of a PWS SWPA	10
Concentration 4 - 19 ppt and point of discharge is <u>not</u> within Zone A or B of a PWS SWPA	5

DAILY DISCHARGE VOLUME	POINTS
Discharge greater than or equal to 250,000 gallons per day (gpd)	10
Discharge of 5,000 to 249,999 gpd	8
Discharge less than 4,999 gpd	6

For nonpoint source projects, if the proposed project addresses PFAS in groundwater, storm water and/or surface water, select the appropriate concentration.

GROUNDWATER OR SURFACE WATER PFAS CONCENTRATION - NONPOINT SOURCE PROJECTS	POINTS
Concentration greater than or equal to 70 ppt	15
Concentration of 20 to 69 ppt	10
Concentration 4 - 19 ppt	5

PROJECT PRIORITY LIST - EMERGING CONTAMINANTS FUNDING

Alaska Drinking Water Fund - State Fiscal Year 2027

Net Funds Available = \$27,318,527

(1) The "Within Funding Limits" column indicates that the project is within the current fundable limit of the Emerging Contaminants Funding allotted to the Alaska SRF Program.

Projects that are not within the available funding for Emerging Contaminants may be eligible for funding through the Alaska Drinking Water Fund base and/or BIL General Supplemental funding sources.

(2) BIL Emerging Contaminants Funding is provided as 100% forgivable loan.

(3) Principal forgiveness is provided to disadvantaged communities. Emerging Contaminants projects qualify for additional points as priority projects in the Disadvantaged Community Criteria.

See Appendix 3 of the Intended Use Plan for more information about Disadvantaged Community Criteria.

Placement on this Project Priority List does not constitute either a guarantee of a loan offer or a decision that all of the estimated project costs will be deemed eligible for funding.

Rank	Score	Within Funding Limits ⁽¹⁾	Public Water System PWSID # (Community Population)	Applicant	Project Name and Description	Requested Loan Amount	Loan Forgiveness ⁽²⁾	Green Project Amount (Type)	Estimated Start Date	Added to PPL
1	211	X	MOA -Municipality of Anchorage AK2210906 (221,351)	Anchorage Water & Wastewater Utility	Tanaina Hills Subdivision Water - Due to per- and polyfluoroalkyl substances (PFAS) contamination in existing private wells, this project will design and construct approximately 2,390 linear feet of a new water distribution main, 26 service connections, approximately 3,280 feet of on-property service extensions, and six fire hydrants.	\$5,132,720	\$5,132,720	---	2/3/2025	SFY26-2
2	160	X	MOA -Municipality of Anchorage AK2210906 (221,351)	Anchorage Water & Wastewater Utility	Girdwood New Townsite Well - Due to high manganese levels in an existing well serving Girdwood, this project will plan, design and construct a new well, well house, piping with appropriate storage and treatment to meet existing regulations. Project costs eligible through Emerging Contaminants funding for replacement of the well with high manganese levels are estimated at \$5,000,000. Other project costs may be eligible through DWSRF Base and General Supplemental funding; therefore this project is also listed on the Base and General Supplemental Project Priority List.	\$16,992,000	\$5,000,000	---	12/31/2025	SFY26-2
3	105	X	Nikishka Bay AK2241020 (470)	Nikishka Bay Utilities	PFAS Treatment Plant Design and Construction – Design and construct two new wells, an addition to the existing water storage building to house PFAS adsorptive treatment vessels, and approximately 15,000 linear feet of water main to replace the leaking galvanized steel mains contaminated by PFAS. The Emerging Contaminant funding is limited to project costs considered integral to addressing the emerging contaminant issue. Other project costs may be eligible through DWSRF Base and General Supplemental funding.	\$5,111,000	\$5,111,000	---	9/30/2026	SFY26-4
5	85	X	Sherwood Estates AK2224078 (147)	Unified Alaskan Utilities	Sherwood Estates Manganese Treatment Plant – Design and construct a new well house, clear well and treatment facility, and ice slurry mixing equipment to maximize the well capacity and clear the distribution mains of manganese coating and sediment. The Emerging Contaminant funding is limited to project costs considered integral to addressing the emerging contaminant issue. Other project costs may be eligible through DWSRF Base and General Supplemental funding.	\$2,577,947	\$2,577,947	---	9/30/2026	SFY26-4
TOTAL						\$29,813,667	\$17,821,667			

AMENDMENTS TO EXISTING LOANS										
1	66	X	Sherwood Estates AK2224078 (147)	Unified Alaskan Utilities	Sherwood Manganese Removal Study – Loan amendment to increase loan amount for 125111-SE. Conduct an engineering study to evaluate alternatives for manganese removal. The end product of this project will be a preliminary engineering report including an engineering alternatives analysis proposing recommended upgrades to the treatment system to effectively remove manganese from drinking water.	\$85,500	\$85,500	---	7/1/2026	SFY26-4
2	40	X	Nikishka Bay AK2241020 (470)	Nikishka Bay Utilities	PFAS Investigation and PER – Loan amendment to increase loan amount for 475111-SE. Continue a small-scale pilot study of four PFAS removal medias recommended by the EPA Office of Research and Development.	\$107,000	\$107,000	---	7/31/2026	SFY26-4
AMENDMENTS TO EXISTING LOANS SUBTOTAL						\$192,500	\$192,500			
TOTAL FUNDING REQUESTED (ALL CATEGORIES)						\$30,006,167	\$18,014,167			

Appendix 3. Response to Public Comments Received by July 17, 2026

The Susitna River Coalition submitted comments on the draft IUPs during the 30-day public comment period. The comments and SRF Program responses are provided below followed by a copy of the comment letter. No other comments were received during the comment period.

Comment: We commend ADEC for several positive changes reflected in this year's plans. The program has broadened public outreach through postings and delivered a public webinar in partnership with the Alaska Municipal League. These efforts improve opportunities for communities to engage beyond the minimum public notice requirements. The updated project scoring criteria also place greater emphasis on sustainability, resilience, cybersecurity, and physical security, which is particularly important for communities facing repeated flooding, severe weather, and other infrastructure disruptions. We also appreciate ADEC's strategic use of technical-assistance set-asides, including the proposed update to Lagoon Design Guidance for rural and Tribal communities.

SRF Program Response: Thank you for your comment.

Comment: Section 2.11.a of the standard loan agreement requires that, with the exception of easements, the project site and associated property be owned by the borrower. While this provides certainty for construction, it can unintentionally delay important public health projects in communities where land ownership is fragmented or unresolved.

Talkeetna illustrates this challenge. Efforts to evaluate an alternative drinking water source were complicated by unresolved land tenure involving the State, local residents, and the Alaska Railroad. The community needed to investigate potential well sites, but the ownership requirement created uncertainty about whether preliminary work could proceed before the underlying land issues were resolved.

We recommend allowing long-term recorded leaseholds or other durable real property interests to satisfy site-control requirements where appropriate, provided their terms are consistent with the SRF loan period. ADEC should also clarify that preliminary site investigations, including test wells, exploratory drilling, and hydrogeologic studies, qualify as eligible planning activities that do not require fee-simple ownership. These investigations are often necessary before a community can determine whether acquiring or securing long-term control of a site is justified.

SRF Program Response: The SRF Program provided an alternative approach to the Mat-Su Borough to meet Section 2.11.a requirement. Because this comment focuses on a specific project and loan application, a more detailed response has been provided directly to the commenter.

Comment: The Financial Capacity Assessment for Talkeetna Water System Upgrades, Project 561141-S, also illustrates a limitation of relying heavily on median household income and household rate burden when assessing affordability. Talkeetna's median household income of \$79,091 and combined user rates equal to 2.09 percent of median household income fall within EPA affordability benchmarks, and ADEC's framework characterizes the burden as low. Yet the same assessment projects a debt-service coverage ratio of 0.55 in 2024, negative coverage in 2025, and approximately 0.91 to 0.93 through 2029 after repayment begins on an existing SRF loan. The utility's fund balance is expected to cover the shortfall only until those reserves are depleted.

A community may therefore appear affordable based on household measures, while its utility lacks sufficient financial capacity to meet existing debt obligations from current rates. We recommend incorporating utility-level indicators, including cumulative SRF and other debt service, operating ratio, debt-service coverage, and fund-balance trends, into disadvantaged-community scoring or principal-

forgiveness determinations. At minimum, the Intended Use Plans should explain how ADEC considers cumulative SRF debt when evaluating additional loans to the same system.

SRF Program Response: All loan applicants are subject to a Financial Capacity Assessment which has several purposes: to determine whether the applicant has the ability to construct and operate the proposed project while maintaining affordable user rates, to assess the applicant's ability to repay any existing or proposed debt service, and to identify types of loan security provisions that may be required.

The SRF Program agrees that if a utility fails to review its rates and implement regular rate increases, the utility may place itself in a position of being unable to rely on rate revenue to meet debt obligations. In those cases, utilities are encouraged to conduct a rate study, and either raise rates appropriately for the sustainability of the utility or make fiscal decisions about how they intend to subsidize the utility and repay debt with other funding sources.

The purpose of the Disadvantaged Community Criteria is to identify communities facing financial and socioeconomic hardships. This designation allows them to access subsidized funding, such as a forgivable loan, with minimal impact on utility rates. As described in the Intended Use Plans, disadvantaged status is determined using several factors, including the lowest quintile income of the community, the water and wastewater service costs as a percentage of the lowest income quintile, rural community designation, the percentage of households receiving nutrition assistance, the percentage of households below the federal poverty level, unemployment rates, and long-term population trends.

The SRF Program considers cumulative debt from all sources when preparing a Financial Capacity Assessment, and this issue is discussed on a case-by-case basis in each financial review.

Comment: We appreciate ADEC's continued investment in Sustainable Infrastructure Planning Project loans and EPA-supported technical assistance. These are valuable resources for communities developing projects, but they cannot resolve complex land-tenure issues or replace the local negotiations required to secure a workable project site. We recommend recognizing documented community engagement, Tribal consultation, and preliminary site investigations as components of project readiness so systems navigating complex ownership questions are not disadvantaged during project ranking.

SRF Program Response: Planning projects to prepare a project for potential funding opportunities are eligible to apply for financing through the SRF Program. This eligibility includes feasibility studies, preliminary engineering reports, or other relevant site investigations that promote sustainable infrastructure. Applicants are encouraged to contact the SRF Program to discuss planning needs and project eligibility.

Comment: ADEC's response to our SFY26 comments described a substantial portfolio of workforce initiatives funded through SRF set-asides, including operator certification, training-expense reimbursement, capacity-development outreach, a hands-on training facility in Anchorage, and preliminary discussions regarding a rural youth training program. These efforts deserve greater visibility in the Intended Use Plans themselves. We recommend identifying workforce development as an explicit program objective, describing the activities already underway, and establishing measurable outputs where appropriate. ADEC should also consider supporting pre-apprenticeship and training partnerships connected to SRF-funded infrastructure projects. Codifying current practice would help preserve continuity as funding sources and program leadership change.

SRF Program Response: Information about ongoing training and workforce development is available through the programs that administer these efforts: the Operator Certification Program and the Capacity Development Program. The Intended Use Plan identifies the overall use of set-aside funds. A specific

Alaska Capacity Development strategy was developed and submitted to the EPA to identify goals and objectives that could be accomplished within available funding.

Comment: We appreciate the addition of a table explaining the factors, data sources, and scoring used in the disadvantaged-community criteria. The remaining gap is at the individual project level. The Project Priority List does not show how each project's tier score was calculated, including for projects receiving principal forgiveness. We recommend publishing the score components for each project. Because the methodology and underlying data sources are already public, this should be primarily a presentation change rather than a significant new analytical burden.

SRF Program Response: Tier levels are determined using the scoring factors established in the Disadvantaged Community (DAC) Criteria. These criteria are typically applied at the community level. The only project-specific factor considered in determining a DAC tier is whether the project receives priority project points.

The community tier listing is available on the final two pages of the [DAC Criteria document](https://dec.alaska.gov/media/fzmmboow/dac-website.pdf) available at <https://dec.alaska.gov/media/fzmmboow/dac-website.pdf>.

Comment: Finally, we appreciate ADEC's commitment to publishing its annual report to EPA on the SRF website. That report will provide valuable retrospective information about completed fiscal years, but applicants and the public also need to understand changes while the funding cycle is underway. We therefore repeat our recommendation that each Project Priority List update include a simple change log or status column showing whether a project was added, removed, rescored, retiered, moved into or out of funding limits, or otherwise modified. This would make it much easier for applicants and the public to understand how rankings and funding positions evolve from one version to the next.

SRF Program Response: The SRF Program recognizes the importance of transparency and helping applicants and the public understand the Project Priority List (PPL). However, the PPL is intended to present the current project rankings, funding status, and other key information in a clear and accessible format. Adding detailed change-tracking information could make the document more difficult to read and may distract from its primary purpose.

The Program will continue to publish updated PPLs and provide notification letters to borrowers with projects included on the PPL. These notification letters identify the borrower's projects and associated subsidy and often lead to discussions about project status, application requirements, and available technical assistance to support completion of loan applications. The Program's annual report to EPA provides information on program activities and funding.

From: [Melis Coady](#)
To: [Ulman, Peggy L \(DEC\)](#); [DEC SRF Program](#)
Subject: FY27 IUP Comments
Date: Thursday, July 16, 2026 4:20:41 PM

CAUTION: This email originated from outside the State of Alaska mail system. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear ADEC SRF Program Team,

Thank you for the opportunity to comment on the draft State Fiscal Year 2027 Intended Use Plans for the Clean Water and Drinking Water State Revolving Funds. The Susitna River Coalition previously commented on the SFY26 Intended Use Plans in July 2025 and the SFY26 Project Priority List Round 4 in March 2026. We appreciate the program's thoughtful responses to those comments, and the recommendations below build on that ongoing dialogue.

We commend ADEC for several positive changes reflected in this year's plans. The program has broadened public outreach through postings and delivered a public webinar in partnership with the Alaska Municipal League. These efforts improve opportunities for communities to engage beyond the minimum public notice requirements. The updated project scoring criteria also place greater emphasis on sustainability, resilience, cybersecurity, and physical security, which is particularly important for communities facing repeated flooding, severe weather, and other infrastructure disruptions. We also appreciate ADEC's strategic use of technical-assistance set-asides, including the proposed update to Lagoon Design Guidance for rural and Tribal communities.

Collectively, our recommendations are intended to improve transparency, predictability, and equitable access to SRF financing while preserving the program's emphasis on fiscal responsibility and project readiness.

Section 2.11.a of the standard loan agreement requires that, with the exception of easements, the project site and associated property be owned by the borrower. While this provides certainty for construction, it can unintentionally delay important public health projects in communities where land ownership is fragmented or unresolved.

Talkeetna illustrates this challenge. Efforts to evaluate an alternative drinking water source were complicated by unresolved land tenure involving the State, local residents, and the Alaska Railroad. The community needed to investigate potential well sites, but the ownership requirement created uncertainty about whether preliminary work could proceed before the underlying land issues were resolved.

We recommend allowing long-term recorded leaseholds or other durable real property

interests to satisfy site-control requirements where appropriate, provided their terms are consistent with the SRF loan period. ADEC should also clarify that preliminary site investigations, including test wells, exploratory drilling, and hydrogeologic studies, qualify as eligible planning activities that do not require fee-simple ownership. These investigations are often necessary before a community can determine whether acquiring or securing long-term control of a site is justified.

The Financial Capacity Assessment for Talkeetna Water System Upgrades, Project 561141-S, also illustrates a limitation of relying heavily on median household income and household rate burden when assessing affordability. Talkeetna's median household income of \$79,091 and combined user rates equal to 2.09 percent of median household income fall within EPA affordability benchmarks, and ADEC's framework characterizes the burden as low. Yet the same assessment projects a debt-service coverage ratio of 0.55 in 2024, negative coverage in 2025, and approximately 0.91 to 0.93 through 2029 after repayment begins on an existing SRF loan. The utility's fund balance is expected to cover the shortfall only until those reserves are depleted.

A community may therefore appear affordable based on household measures while its utility lacks sufficient financial capacity to meet existing debt obligations from current rates. We recommend incorporating utility-level indicators, including cumulative SRF and other debt service, operating ratio, debt-service coverage, and fund-balance trends, into disadvantaged-community scoring or principal-forgiveness determinations. At minimum, the Intended Use Plans should explain how ADEC considers cumulative SRF debt when evaluating additional loans to the same system.

We appreciate ADEC's continued investment in Sustainable Infrastructure Planning Project loans and EPA-supported technical assistance. These are valuable resources for communities developing projects, but they cannot resolve complex land-tenure issues or replace the local negotiations required to secure a workable project site. We recommend recognizing documented community engagement, Tribal consultation, and preliminary site investigations as components of project readiness so systems navigating complex ownership questions are not disadvantaged during project ranking.

ADEC's response to our SFY26 comments described a substantial portfolio of workforce initiatives funded through SRF set-asides, including operator certification, training-expense reimbursement, capacity-development outreach, a hands-on training facility in Anchorage, and preliminary discussions regarding a rural youth training program. These efforts deserve greater visibility in the Intended Use Plans themselves. We recommend identifying workforce development as an explicit program objective, describing the activities already underway, and establishing

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Thank you again for ADEC's work to strengthen Alaska's drinking water and wastewater infrastructure programs. We appreciate the program's responsiveness to prior comments and look forward to continuing this constructive dialogue.

Sincerely,

Melis Coady
Executive Director
Susitna River Coalition

