

# ALASKA DRINKING WATER FUND

STATE WATER LOAN PROGRAM

INTENDED USE PLAN  
FINAL

FFY17 Grant Allotment  
State Fiscal Year 2018



Submitted to the U.S. Environmental Protection Agency

By

Alaska Department of Environmental Conservation

Division of Water

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# **ALASKA DRINKING WATER FUND**

## **State Drinking Water Loan Program**

### **Intended Use Plan (IUP)**

**Draft – April 2017**

#### **PROGRAM OVERVIEW**

Alaska's Drinking Water State Revolving Fund (DWSRF), the Alaska Drinking Water Fund (ADWF), is funded primarily by the U.S. Environmental Protection Agency (EPA) and administered by the Alaska Department of Environmental Conservation's (ADEC) Municipal Grants and Loans Program (MGL) with the purpose of providing low interest loans to utilities for drinking water system improvement projects.

A range of projects and associated costs are eligible for funding under the ADWF loan program, such as planning, design and construction of various drinking water system facilities, including source, transmission, treatment, storage, and distribution system. Up to 100 percent of a project's costs may be eligible for loan funds. ADWF loans can also serve as local match to most other federal or state funding sources.

In addition to the loan program, DWSRF funding supports program administration and technical assistance activities to public water systems throughout the state. Ongoing programs funded by the ADWF include the state's Drinking Water, Capacity Development, Operator Certification, Wellhead Protection, and Public Water System Security and Emergency Preparedness.

The purpose of this Intended Use Plan (IUP) is to describe how ADEC intends to spend the monies of the ADWF to meet program goals.

#### **PROGRAM UPDATES**

ADEC continues to make updates to the Alaska Drinking Water Fund in an effort to improve service to funding recipients and meet program goals. As an example, proposed revisions to the regulations at 18 AAC 76, Alaska Clean Water and Drinking Water Loan Funds, will allow financing terms of up to 30 years. A thirty day public notice for these regulation revisions began on April 17, 2017, with implementation expected in early State Fiscal Year 2018 (SFY18). During SFY18, the program intends to create a framework for providing microloans to rural Alaskan utilities, consider alternative methods for implementing equivalency requirements, and explore the possibility of quarterly project priority list updates.

## PROGRAM GOALS

The following goals guide the ADEC in administration of the ADWF.

### Long Term Goals

1. Protect public health, minimize the potential for drinking water contamination, and promote the completion of eligible activities using best management practices, as well as affordable and applicable technology.
2. Support the state's goal of ensuring that all public water systems provide safe drinking water.
3. Fully implement a Capacity Development program for increased public health protection and compliance with the Safe Drinking Water Act (SDWA).
4. Develop and effectively manage a self-sustaining loan program to facilitate public water system compliance with the State of Alaska Drinking Water Regulations (18 AAC 80) and the SDWA.
5. Consider a more aggressive lending policy based on the needs of the communities.
6. Provide timely and accurate project and benefits data to EPA Drinking Water National Information Management System (NIMS) and Project and Benefits Reporting (PBR) System.
7. Make funds available to borrowers based on anticipated future repayments.
8. Utilize administrative fees collected on loans from the ADWF and the Alaska Clean Water Fund (ACWF) to fund program administration.

### Short Term

1. Provide low interest loans of \$38.4 million for planning, design and construction of facilities that will reduce acute health risks and provide safe drinking water.
2. Provide a minimum of \$1,662,400, 20% of the capitalization grant amount, to borrowers as subsidy in the form of principal forgiveness.
3. Incentivize water and energy efficiency improvement projects under Green Project Reserve (GPR) during the project scoring process.
4. Implement regulation and programmatic changes that will allow for financing terms up to 30 years.
5. Include sustainability criteria in project scoring and ranking to demonstrate Alaska's commitment to promoting sustainability of drinking water facilities in coordination with EPA's Sustainability Policy.
6. Continue implementing American Iron and Steel requirements.
7. Replace the existing Access based Loan and Grants Tracking System (LGTS) with a web based version to improve functionality and efficiency.
8. Amend the IUP as required to make funds available to borrowers with previously unidentified needs.

9. Provide \$166,240 for operator training and technical assistance for communities with a population of less than 10,000 through Small Systems Technical Assistance Program.
10. Provide \$415,600 to the Wellhead Protection Program for drinking water system protection activities.
11. Provide \$432,480 for technical and compliance assistance to public water systems by the Drinking Water Program.
12. Provide \$398,720 to Capacity Development and Operator Certifications Programs for activities to support and improve the technical, managerial and financial capacity of public drinking water systems (PWS) in Alaska.
13. Provide \$831,200 to supplement State Drinking Water Program Management for SDWA compliance, continued primacy implementation, and public health protection activities.
14. Complete a capitalization grant agreement for FFY17 Drinking Water State Revolving Fund allocation.

## PROGRAM FUNDING

### Funding History

The ADWF was first capitalized in SFY97 with an initial value of \$27,984,253. The fund value has grown steadily to its present (April 3, 2017) value of \$426,601,792.

#### Historical Facts about the ADWF Project Fund

As of April 3, 2017:

- 167 projects have reached construction completion and are in repayment status.
- \$100,625,925 has been received in repayment principal and interest.
- \$5,661,684 has been received in fees.
- 236 loans for a total of \$335,939,209 have been made to 39 communities.
- 10 loans for disadvantaged assistance totaling \$7,821,000 have been made to 10 communities.
- 24 loans containing subsidies for disadvantaged assistance providing total of \$24,764,976 to 13 communities.
- \$13,156,101 in investment interest has been earned through April 3, 2017.
- Administrative funds of \$6,871,784 have been set aside to cover program operating costs.
- \$2,682,000 has been set aside for source water assessments and protection activities.
- \$9,322,542 has been set aside for capacity development activities.
- \$11,664,800 has been set aside for state drinking water program management activities.
- \$6,306,056 has been set aside for wellhead protection.
- \$2,295,329 has been set aside for small system technical assistance.

## Fund Accounting Separation

The ADWF was established by statute as an enterprise fund of the State, to serve as a revolving fund for financing drinking water system improvement projects. Funds allocated for set-aside activities authorized in Section 1452(k) of the SDWA are held in separate accounts; therefore, loan fund activities and set-aside activities will be kept distinct.

## Set-Asides

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

### Use of Safe Drinking Water Act Set-Asides

	Requested Through SFY17	Requested in SFY18	"Banked" Amount through SFY18
Source Water Assessment Program	\$ 2,682,000		
Capacity Development	\$ 9,322,542	\$ 756,392	
State Drinking Water Program Management	\$11,664,800	\$ 831,200	
Wellhead Protection	\$ 6,306,056	\$ 490,408	
Small System Technical Assistance	\$ 2,295,329	\$ 166,240	\$373,716
Administrative Set-Aside	\$ 6,871,784		\$1,087,780

## State Match

A capital budget bill authorizing the required state match of \$1,662,400 necessary to capture the FFY17 grant is pending before the State legislature. The match, in the form of short-term bonds funds, will be available for program use in the state fiscal year that begins on July 1, 2017. The bonding transaction costs are estimated to be \$5,000.

## Funds Available to Loan in SFY18

In SFY18, ADEC proposed to provide a total of \$38.4 million in the form of direct loans to eligible drinking water systems. The following table summarizes the funds contributed, as well as commitments and expenditures, since the inception of the ADWF. The amount of available for loans in SFY18 is the difference between the funds available and total program commitments, plus two years of projected future loan repayments.

## Administrative Fees

Since December 29, 2000, ADEC has assessed an administrative fee, equal to one-half percent (0.5%) of the principal loan balance, on all loans to fund program administration costs. A total of \$5,652,950 has been collected as of April 3, 2017; additional fees will be collected during the remainder of SFY17.

## Alaska Drinking Water Detailed Summary

As of April 3, 2017

**Funding Sources:**

Federal Grants Since Inception	\$ 208,419,656
FFY 17 Federal Allocation Capitalization Grant	8,312,000
FFY 17 State Match Appropriation	2,493,600
Bond Proceeds	1,662,400
State Match, prior years	
General Funds	\$ 14,137,600
Bond Proceeds	23,741,584
	37,879,184
Total State Match	37,879,184
Investment Income	13,156,101
Repayments	
Loan Principal	\$ 85,973,007
Loan Interest	14,652,918
	100,625,925
Total Repayments	100,625,925
Projected Repayments SFY17 (4/1/17 - 6/30/17)	2,105,670
Projected Repayments SFY18	11,475,726
Projected Repayments SFY19	11,471,529
Transfer from ACWF	29,000,000
	29,000,000
<b>Total Funding</b>	<b>\$ 426,601,792</b>

**Program Commitments:**

Loan Commitments	
Standard Loans Executed	301,876,670
Standard Loans Pending	11,620,393
Disadvantaged Assistance Loans Executed	7,821,000
	321,309,063
Total Loan Commitments	\$ 321,309,063
Previous Bonding and Transactions Costs	23,792,875
Bonding and Transaction Costs to be Paid in SFY18	1,664,735
Program Set-Asides	
Administrative Set-Aside	\$ 6,871,784
Source Water Assessment Program (through SFY 04)	2,682,000
Capacity Development	10,078,934
State Drinking Water Program Management	12,496,000
Wellhead Protection Program	6,796,464
Small System Technical Assistance	2,461,569
	41,368,751
Total Program Set-Asides	41,368,751
<b>Total Commitments</b>	<b>\$ 388,153,424</b>

**Net Available for Drinking Water Loans**

**\$ 38,448,368**



## Fund Draw Procedures

ADEC draws ADWF set-aside funding at 100% federal. Draws for loan funding are split between state match and federal funding following the grant-specific proportionality rate method.

## GROWTH OF THE ADWF

The ADEC maintains projections of the future value of the ADWF. Key variables used in the projections include capitalization rate, income investment, subsidy, and set-aside use.

### Capitalization Rate Assumptions

Projections assume that the state will continue to receive approximately \$8.5 million in annual federal capitalization grants, and 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.

### Investment Income and Subsidy Considerations

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

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

Projections assume that the earnings on invested funds will continue at 1.25%. Original projections that set these rates showed a nominal effect on the long term perpetuity of the program.

### Set-Aside Use Assumptions

Long term projections assume that ADEC will continue to utilize 31% of the capitalization grant for administrative, technical assistance, and program management activities allowed under the various set-asides. Although in recent years, the 4% Administration set-aside has not been used, ADEC anticipates utilizing these banked funds in the near future.

## PROJECT ASSISTANCE AND ACTIVITIES

### Identification and Scoring of Priority Projects

A letter was sent to eligible borrowers on January 3, 2017, inviting them to submit an electronic project questionnaire to be considered for SFY18 funding assistance.

Using information from the questionnaires, an ADEC scoring committee, made up of representatives from the MGL, and the ADEC Drinking Water and Wastewater Programs,

evaluated the projects. The scoring criteria can be found in Appendix I, “Alaska Drinking Water Fund Priority Criteria.”

Following the scoring committee’s review, all projects are ranked, highest to lowest, according to score. In the event of tie, the project which will serve the utility with the lower median household income will receive the higher ranking, in deference to population with the greatest financial need. However, projects eligible for funding subsidy will be ranked higher if such a project is needed to meet minimal required subsidy funding. The final priority list determined by applying the available funding to the ranked projects.

### Project Incentives

Incentives are offered during the scoring process to encourage utilities to propose projects that can begin construction within one year of a funding agreement. An additional 50 points is awarded to a project’s score if agency plan and specification approval is documented in the project questionnaire. Further, any Funding Priority Planning List project which can demonstrate that agency plan and specification approval is in place at the time of issuance of the final IUP will be allowed to submit a loan application immediately.

### Compliance and Capacity Review

To receive loan fund assistance, a utility must demonstrate sufficient technical, financial and managerial capacity to operate the system in compliance with state and federal regulations. When reviewing questionnaires, the scoring committee verifies the compliance history of each utility. If a utility is not in compliance, an assessment is made to determine if the proposed project will bring the system into compliance.

If a non-compliant system is unable to resolve the violations through a loan funded project, the borrower must enter into a formal agreement with ADEC and take steps to bring the system into compliance before funding can be considered. 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 be reviewed and approved by the MGL Program. The proposed project must be part of the agreement and have a primary goal of bringing the system into compliance. If a system fails to comply with the COBC or its compliance schedule, loan disbursements will cease and the system will be subject to enforcement action.

Projects within the fundable portion of the final priority list are also assessed for capacity using the Capacity Assessment Worksheet, included as Appendix II. This worksheet is designed to give ADEC a broad picture of a system’s overall capacity. Additional information may be required from the loan applicant prior to executing a loan agreement. If a utility cannot

demonstrate sufficient capacity, and ADEC determines the utility will be unable to achieve capacity in a reasonable time, the project will be by-passed in the current year's funding cycle.

### Public Review and Comments

The priority list, along with set-aside funded activities, 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. Public notice will be published in a major newspaper, advertising the availability of the draft IUP and inviting comments. The IUP will also be published on ADEC's web site. Comments received during this public notice period, along with ADEC's responses, will be published in Appendix IV.

## DISTRIBUTION OF PROJECT FUNDING

The scored and ranked list of proposed project for SFY18 funding is provided in Appendix IIIa. Total funding need is \$51,026,533; total available funding is \$38,448,368.

The Project Funding Priority List (funding list) (Appendix IIIa) represents those projects for which funding is expected to be available. The Project Priority Planning List (planning list) (Appendix IIIb) represents those projects for which funding is not expected to be available. In the event that projects on the funding list are by-passed, projects from the planning list may be considered for funding in rank order. Should a single project's funding need limit the ability of the program to meet the needs of other borrowers, ADEC will work to negotiate an amenable solution which may include phased funding, or coordination of other funding sources.

If a project is listed on the Project Funding Priority List with a subsidy, or met the incentive criteria for being construction ready, a project application may be submitted at completion of the IUP public notice period. The application must provide sufficient information to initiate a community financial assessment for incurring the debt, and begin the environmental review process.

ADEC may amend the Project Priority List throughout the year to meet the needs of borrowers with shovel ready projects. In such an instances, new projects will be identified during an abbreviated solicitation process, then scored and ranked by a scoring committee as described above. The amended Project Priority List will be publicly noticed for 10 days.

### Emergency Procedures

ADEC may make loans for projects that request funds under emergency conditions such as natural disasters and terrorist actions. Upon a declaration of an emergency by federal or state emergency response officials, or upon a finding by 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.

### Bypass Procedures

If a project on the funding list has not submitted a complete loan application or completed the state environmental review process in a timely manner, it may be bypassed for another project on the priority list, including projects on the planning list, which is ready to proceed. This includes projects identified for subsidy. Specific rules on project bypassing are as follows:

- A. If a loan application for a project on the funding list is not submitted within two months of publication of the final IUP, the project may, without further justification, be automatically by-passed by a lower scoring project that is ready to proceed, as long as sufficient funding is available.
- B. If necessary to meet equivalency or subsidy requirements, ADEC will 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 the federal funding requirements are minimally met.
- C. If projects are equal in score, the following sequence will be used to differentiate between them:
  1. Preference will be given to a project that is already out to bid or under construction, has submitted a loan application, and completed the environmental review.
  2. Preference will be given to a project that has a compliance agreement or other legal order from EPA or ADEC which requires an earlier construction completion date.
  3. Preference will be given to a project that has Green project components, or has been identified to meet equivalency.
  4. Preference will be given to a project that is expected to have a complete application submitted first.
  5. If the projects are from the same borrower, the borrower may request that one project be placed ahead of the other.
  6. The individual scores from each criteria category will be compared until a difference is found and the project with the highest score in the individual category will receive preference.

### Subsidization – Disadvantaged Community Assistance

The FFY17 federal capitalization grant requires that a minimum of 20% of the grant amount be offered in the form of subsidies. Based on this requirement, ADEC will offer disadvantaged

utilities 50% of a project's costs, up to a cumulative maximum of \$1,000,000 per utility, as subsidy in the form of principal forgiveness, totaling \$1,662,400 in SFY18.

Subsidy funding will be awarded to disadvantaged entities according to overall project ranking on the priority list, from highest to lowest, until all funding is utilized. A utility is considered disadvantaged if the:

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

Projects must meet the following milestones to be eligible for subsidy:

- Submission of engineered plans and specifications for ADEC regulatory review, or submittal of 65% plans, at project questionnaire deadline.
- Submission of 90% engineered plans and specifications for agency review at the time of loan application.
- Submission of a loan application within two months of issuance of the IUP, or subsidy funds may be made available to the next highest ranked eligible project.
- Submission of disbursement requests equal to at least the amount of the loan subsidy within one year of the signed loan agreement. If a utility is unable to expend the full subsidy within one year, the subsidy may be reduced to match the expenses incurred to date.

Any uncommitted subsidies that exist after one year of publication of the IUP will be distributed to projects with existing subsidies, or to those projects which are the furthest along in completion of construction.

The priority lists on Appendix IIIa and IIIb demonstrate that at least 20% of the capitalization grant amount will be provided as principal forgiveness. Any subsequent revision to the Fundable Project Priority list will likewise demonstrate that at least 20% of the grant will be provided via principal forgiveness.

## Green Project Reserve (GPR)

Borrowers are strongly encouraged to propose projects that include GPR infrastructure components under the following category types: green infrastructure, water or energy efficiency improvements, and environmental innovative activities. As incentive, ADEC awards an additional 25 ranking points for eligible GPR work. Green projects are listed under Appendix IIIa and IIIb by green project category type and whether project justification is categorical or requires a business case demonstration. Under this IUP, five projects listed on the Project Funding Priority List have been identified as being a Green project based on State current guidance. The cumulative amount of these projects is \$10,480,300.

## ADDITIONAL LOAN FUND POLICIES

### Small Community Participation

Since the program's inception, 55.5 percent of the loans from the ADWF, or \$172.8 million, have been provided to systems serving populations of less than 10,000. This well exceeds the 15 percent program requirement for participation by small systems. In SFY18, over 41 percent of loan funds is intended for small water systems. Although ADEC does not expect to need this, ADEC will bank the excess \$119.7 million for future years when the number of small system loans may fall short of the goal.

### Privately Owned Systems

Since July 1, 2002, privately owned utilities certificated and economically regulated by the Regulatory Commission of Alaska (RCA) have been eligible for ADWF loans. ADEC has executed 27 loans totaling \$15,201,794 with privately owned drinking water utilities.

### Financial Terms of Loans

Effective April 28, 2005, loans with a term of five to 20 years are assessed a finance charge of one and one-half percent (1.5%) or 18.75% of the current bond rate as defined by the Municipal Bond Index (MBI). Loans with a term of one to five years are assessed a finance charge of one percent (1%) or 12.5% of the current bond rate as defined by the MBI. Any loan term less than one year is assessed a one-half percent (0.5%) finance charge. With the exception of loans that are paid off in less than one year from the first loan disbursement, all other loan terms include a one-half percent (0.5%) administrative fee as part of the overall finance charge.

ADEC is in the process of proposing regulation revisions to allow up to 30 year financing for eligible entities.

### Title II Equivalency Compliance

The Safe 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.

A project will be considered equivalent if the borrower is a non-disadvantaged community with a population greater than 10,000. The sum of the loans offered as equivalent projects will be equal to or greater than the annual federal capitalization grant amount.

### Sustainability Policy

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

### Davis-Bacon

Language in EPA's appropriations bill requires the application of Davis-Bacon prevailing wage rates to all treatment works projects funded by the DWSRF. Davis-Bacon applies to construction contracts over \$2,000 and their subcontractors, regardless of the subcontract amount.

To ensure compliance with these requirements, ADEC will provide assistance to recipients with the specific EPA Davis-Bacon contract language that is to be included in bid specifications and/or contracts and will confirm that the correct wage determinations are being included in the bid specifications and/or construction contracts. In addition, ADEC will collect Certifications of Davis-Bacon compliance from online project quarterly report statements.

### American Iron and Steel (AIS)

No funds made available to borrowers shall be used for the construction, alteration, maintenance, or repair of a public water system unless all of the iron and steel products used in the project are produced in the United States. This requirement applies to the entire project receiving loan funds under an agreement that is fully signed on or after January 17, 2014, unless agency approval of engineering plans and specifications were completed prior to December 16, 2014.

Consideration for exclusions to this requirement are as follows: being inconsistent with the public interest; iron and steel products that are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or inclusion of iron and steel products produced in the United States that will increase the cost of the overall project by more than 25 percent.

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

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

## Reporting

### Federal Funding Accountability Transparency Act (FFATA)

ADEC is committed to transparency and accountability under FFATA. Program information, Intended Use Plans, Annual Reports, and other program materials are either posted on the ADEC/MGL website: <http://www.dec.state.ak.us/water/MuniGrantsLoans/index.htm>, or may obtain through the program office in Juneau at 410 Willoughby Street, Juneau, AK 999801. ADEC has chosen to use the equivalency method to meet FFATA reporting requirements; information pertaining to equivalent project equal to the value of the SFY18 capitalization grant will be reported. The projects below have been identified as meeting the equivalency requirements:

Sitka	Brady-Gavan-Moller Water main Replacement	\$1,620,500
Anchorage	W 43rd Aero Constellation Water Rehab	\$697,000
Anchorage	San Antonio-Camila-San Rob Water Rehab	\$1,389,000
Anchorage	Ambergate Drive Water Rehab	\$291,000
Anchorage	Mink Avenue Water Rehab	\$371,000
Anchorage	Bennington Drive Water Rehab	\$426,000
Anchorage	Tanglewood Place Water Rehab	\$395,000
Sitka	Blue Lake Dedicated Water Line	\$878,2600*
Total Amount Reserved for Set-Asides		<u>\$2,244,240</u>
		<b>\$8,312,000</b>

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

### Project and Benefits (PBR) Reporting

Project milestones and information are reported through EPA’s Drinking Water Benefits Reporting database. ADEC commits to entering timely and accurate project and benefits data into PBR.

### Quarterly Project Status Reporting

Borrowers are required to file quarterly project status reports once a funding agreement is in place, through final disbursement. ADEC provides the necessary format for this reporting and the reports are used to provide project status update and current financial utilization information on loans.



### Quarterly Financial Reporting

Borrowers are required to submit a quarterly financial report. The financial report is essentially a disbursement request for the loan which include financial information pertaining to the project for the quarter. If the financial report documents expenditures, supporting documentation must demonstrate expenses are eligible. Borrowers may request reimbursement up to once per month, but no less frequently than once per quarter. If no costs are incurred for the quarter, acknowledgement of this fact within the report is sufficient.

### Miscellaneous Reporting

ADEC will provide information to EPA as needed for national reports, public inquiries, or Congressional inquiries.

## **NON-PROJECT ACTIVITIES**

Non-project activities are defined by the SDWA Amendments of 1996 as uses of DWSRF funds not related to construction of public water systems or modification of infrastructure. ADEC intends to make as much capitalization loan money available as possible, while 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 annual capitalization grant described in the Projects Section of the IUP other non-project activities intended to be funded by the grant are outlined below.

### Administration of the Fund

The SDWA allows for up to four percent of the state's annual capitalization grant to be used to for administration of the loan program and drinking water technical assistance activities. In SFY18, ADEC will bank all allowable administrative set-aside funds for future use. As allowed by recent modifications under the Water Infrastructure Improvements for the Nation (WIIN) Act, ADEC intends to calculate the allowable administrative set-aside at 1/5<sup>th</sup> of one percent of the net value of the loan fund. The net value of the fund per the SFY16 Independent Auditor's Report is \$200,749,897; therefore, the allowable set-aside is \$401,500.

ADEC plans to fund administrative expenses for program operations from the funds generated by loan administration fees. In SFY18, most expenses will be paid from the ACWF administrative fee account which has a greater balance; this method will be employed until both accounts have a relatively similar balance.

### Small System Technical Assistance

In SFY18, ADEC proposes to utilize \$166,240 under the 2% Small System Technical Assistance Set-Aside for ongoing direct technical assistance to small system operators and owners by the

Operator Certification Program. A detailed work plan of all SSTA-funded activities will be submitted for EPA approval.

### Local Assistance and Other State Programs Set-Aside

The state may request up to 15% of the annual DWSRF capitalization grant for Capacity Development, Operator Training and Certification, Wellhead Protection, and other appropriate technical assistance activities; however, no more than 10% of the capitalization grant may be used for any one specific activity.

### Drinking Water Program Compliance Assistance

In SFY18, \$432,480 will be used by the Division of Environmental Health's Drinking Water Program for technical assistance activities. These activities include, but are not limited to:

- Technical, Managerial, and Financial (TMF) Capacity reviews completed during the engineered plan review and waiver review process for new systems and substantial modifications to existing water systems. These activities support implementation of the primacy requirement for states to ensure “new water systems TMF capacity and sustainability.”
- Provide technical assistance, or coordinate assistance through the various Technical Assistance Provider organizations, to public water system owners and operators with a focus on systems that struggle to meet treatment requirements, or are listed on EPA's Enforcement Targeting Tool (ETT) List with a score of 11 or higher.
- Provide technical assistance to public water system owners and operators during onsite sanitary survey activities, onsite status component inspections, and comprehensive performance evaluations.
- Public outreach on water system capacity, sustainability, and asset management using interactive workshops, webinars, and presentations at professional conferences.

### Capacity Development and Operator Certification Programs

Historically, the Capacity Development Program has been implemented by the Drinking Water Program, within the Division of Environmental Health. Recent structural changes within ADEC have brought the DWSRF funded Municipal Grants and Loan, Capacity Development, and Operator Certification Programs, as well as the Remote Maintenance Worker Program, under a single program within the Division of Water. The formation of the Technical Assistance and Financing (TAF) Program will allow for improved coordination in the use of DWSRF funds to best meet the needs of Alaska's public drinking water system.

During SFY18, ADEC will review the historical Capacity Development goals, plans and efforts, as well as identify current needs and opportunities. Based on the information gathered, and in coordination with the Drinking Water Program, the Capacity Development Program intends to

revise the Capacity Development Strategy for EPA approval. To accomplish this effort, as well as for ongoing implementation of the approved strategy, a Program Coordinator position will be created and recruited in early SFY18.

In addition, the Operator Certification Program will provide direct technical assistance to water system operator and owners. Local Assistance set-aside funds will also be used for ongoing improvements to the OpCert database and certification exam administration.

A total of \$398,720 in Local Assistance set-aside funds will be utilized by the TAF Program for implementation of the Capacity Development and Operator Certification Programs. Detailed work plans will be submitted for EPA review and approval.

#### Drinking Water and Wellhead Protection Program

Under the SDWA Section 1452(k)(1)(D), the state plans to complete drinking water protection-related activities using \$415,600 from the Local Assistance and Other State Programs set-aside. The funds for Drinking Water Source Protection activities will be used to continue with the implementation of a statewide voluntary Drinking Water Protection Program, as well as the Public Water System (PWS) Security and Emergency Preparedness Program. These activities include, but are not limited to the following:

- Revise procedures for completing source water assessment reports for new PWS sources and also update and complete Quality Assurance/Quality Control (QA/QC) of source water assessments of existing systems.
- Provide review, comments and recommendations on proposed local, state and federal permits for activities that may impact the source water for public water systems.
- Develop and maintain spatial tools for public and governmental agencies to research and identify Drinking Water Source Protection Areas, contaminant risk and well and aquifer susceptibility. Assist PWS owners, operators, and community representatives in developing Drinking Water Source Protection Plans for their water systems.
- Provide technical assistance to PWS owners on the development of drinking water protection plans and also PWS security and emergency preparedness issues and activities.
- Provide technical assistance to PWS owners and operators in the development of their Vulnerability Assessments, Emergency Response Plans, and Priority Measures Plans.
- Public outreach using workshops, presentations at professional meetings, webcasts, and onsite visits on the importance of drinking water protection (protecting sources of drinking water both ground water and surface water) and also the importance of practicing emergency preparedness activities, such as developing response plans.
- Develop guidance documents on emergency preparedness topics such as selecting a mobile water treatment unit, physical security of a PWS, and selecting an alternate water supply.

The Drinking Water Program will submit a detailed work plan for Drinking Water Source Protection activities to EPA for review and approval.

### Program Management Set-Aside

Under the SDWA Section 1452 (g)(2), the state plans to use 10% of the DWSRF capitalization grant, \$831,200, to supplement the completion of Public Water System Supervision (PWSS) program management activities. The funds for State Drinking Water Program Management activities will be used for SDWA compliance requirements completed under the PWSS Program for the public health protection for the residents and visitors to the State of Alaska will include, and are not limited to the following:

- Continued development and implementation of Drinking Water Program primacy activities for regulations development, compliance and enforcement, and reporting to EPA Region 10 or EPA Headquarters.
- Continued focused efforts of the Alaska Drinking Water Program on meeting the EPA National Drinking Water Program goals of public water systems meeting all SDWA health-based standards.
- Engineered plan reviews and waivers (Construction and Operation Approvals) for new water systems and modifications to existing water systems.
- Regulations implementation for compliance with SDWA requirements and federal public health laws (statutes) and drinking water rules the state adopts by reference or develops which meet the stringent federal requirements.
- Enforcement of the Alaska Drinking Water Regulations, 18 AAC 80, and continued use of the Enforcement Targeting Tool and Enforcement Response Policy for increased public water system compliance and increased public health protection.
- Compliance and technical assistance to assist public water system owners and operators achieve compliance without using formal enforcement and thereby increase overall public water system 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 public water systems and tap water.

The Drinking Water Program will submit a detailed work plan for the State Drinking Water Program PWSS program set-aside activities to EPA for review and approval.

## **CONTENT OF APPENDICES**

Appendix	I. Priority Criteria
Appendix	II. Capacity Assessment Worksheet
Appendix	III. Project Lists – Fiscal Year 2018
	IIIa. Funding Priority List
	IIIb. Funding Priority Planning List
Appendix	IV. Public Comments

# **APPENDIX I**

## **Priority Criteria**



# ALASKA DRINKING WATER STATE REVOLVING LOAN FUND PRIORITY CRITERIA FOR FY18 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.*

<b><u>PUBLIC HEALTH (Only one)</u></b>	<u>Assigned Points</u>
<p>1) This project will correct the cause of a human disease event documented by ADEC or a recognized public health organization. Documentation is required.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <li>• <i>Outbreaks of Hepatitis, Giardiasis or Cryptosporidiosis.</i></li> <li>• <i>Upgrading facilities to meet new EPA/ADEC regulations w/ short term deadlines (examples: arsenic /LT2 rules)</i></li> <li>• <i>Installation of new water mains in an area where there is a documented well contamination by a regulated contaminant that exceeds safe standards, or a contaminant that is not regulated by EPA and/or the State, but has an established health advisory level.</i></li> </ul>	100
<p>2) This project will eliminate acute risks to public health. Documentation is required</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <li>• <i>Provides potable water to a community or area currently not served by piped service, but that have existing watering points or other haul systems.</i></li> <li>• <i>Will resolve microbial risk from inadequately treated surface water or groundwater.</i></li> <li>• <i>CT tank construction or other construction to meet federal and state standards with long term deadlines.</i></li> <li>• <i>Treatment for exceedances of acute contaminants such as nitrate, or treatment for long term (greater than 2 years) MCL or Action Level exceedances for a chronic contaminant such as DBPs, Lead, Arsenic, etc.</i></li> <li>• <i>Water systems lacking sufficient capacity for meeting public health needs. Examples include: inadequate source quantity; insufficient raw or treated water storage capacity to meet demand; undersized well, intake or distribution system pumps.</i></li> </ul>	75
<p>3) This project will correct potential long-term, chronic health threats, or resolve serious distribution system problems or leaks. Documentation is required.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <li>• <i>VOC removal, pH adjustment, action level or primary MCL exceedances due to source water quality or contamination.</i></li> <li>• <i>Replacement of documented pipes or facilities that are leaking or constructed of inferior materials (example - asbestos cement pipe, structurally impaired water tank/reservoir)</i></li> <li>• <i>Correction of documented distribution system freeze-up problems.</i></li> </ul>	50

**PUBLIC HEALTH - Continued (Only one)**

- |  |    |
|--|----|
| 4) This project will eliminate potential health hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations.  | 30 |
| <i>Examples:</i>   |    |
| <ul style="list-style-type: none"> <li>• <i>Periodic exceedances of action level or primary MCLs due to mechanical or structural problems, undersized or inadequate components or fixtures, or low pressure issues.</i></li> <li>• <i>Replacement of pipe or facilities that are suspected to leak or constructed of inferior materials. Documentation of leaks is not required.</i></li> <li>• <i>Extension of water service for existing customers and/or water main looping to remove dead-end mains.</i></li> <li>• <i>SCADA and other process instrumentation installations.</i></li> </ul> |    |
| 5) This project has no significant health hazards related issues.  | 0  |

**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.   | 35 |
| <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> |    |
| 2) This project will resolve a significant compliance issue.  | 25 |
| <i>Examples include Enforcement Targeting Tool (ETT) violations, Notice of Violations (NOV's) and Boil Water Notices.</i>   |    |
| 3) This project will address a documented compliance issue.   | 10 |
| <i>Examples include relatively minor compliance issues documented by an agency notification letter.</i>   |    |
| 4) This project has no significant compliance related issues.   | 0  |

**SOURCE WATER PROTECTION (Only One)**

- |  |    |
|--|----|
| 1) The system's Drinking Water Protection Plan is current (within two years) and on with ADEC Drinking Water Program.  | 5  |
| 2) This project specifically addresses system vulnerabilities or potential sources of contamination that are identified in the Drinking Water Protection Plan. (Documentation must be provided, and will be verified by ADEC). | 10 |
| 3) The system's Drinking Water Protection Plan is not current and/or the project does not address any vulnerabilities or potential sources of contamination.   | 0  |



**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. The web page link for the data is located at the Department of Labor and Workforce Development Research & Analysis Section: <http://laborstats.alaska.gov/>

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

**OPERATOR CERTIFICATION (Only one)**

- |   |   |
|---|---|
| 1) The system employs, or has on contract, an operator certified to the level of the system.          | 5 |
| 2) The system does not employ, or have on contract, an operator certified to the level of the system. | 0 |

**ABILITY TO REPAY (Only one)**

- |  |   |
|--|---|
| 1) The source, amount and year of matching funds has been identified and are available now. This does not include anticipated funds from future year funding or appropriations. Documentation is required. | 5 |
| 2) Matching funds have not yet identified.   | 0 |

**ADDITIONAL CONSIDERATIONS (Additive to 20 Points)**

- |  |   |
|--|---|
| 1) Construction documents have been prepared (under 18 AAC 80) and submitted to the appropriate ADEC Drinking Water program office.                      | 5 |
| 2) A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted.   | 5 |
| 3) This project will result in the regionalization and/or consolidation of two or more existing public water systems.                                    | 5 |
| 4) Environmental review documentation has been prepared or completed, and is in accordance with National Environmental Protection Act like requirements. | 5 |

	<u>Assigned Points</u>
<b><u>SUSTAINABILITY PROJECTS (Only one)</u></b>	
1) Fix It First Projects	50
2) Effective Utility Management	25
3) Planning	25
4) Not Applicable	0
<b><u>GREEN PROJECT (determined by ADEC)</u></b>	
The applicant has sufficiently demonstrated Green eligible components under the project. Program guidance can be found at the following ADEC web site: <a href="http://dec.alaska.gov/water/muniloan/forms.htm">http://dec.alaska.gov/water/muniloan/forms.htm</a>	25

# **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 IIIa**

## **ALASKA DRINKING WATER FUND**

### **Project Priority List**



**ALASKA DRINKING WATER FUND  
Funding Priority List  
Fiscal Year 2018**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>2</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>3</sup>	Green Project Amount <sup>4</sup>	Green Project Type <sup>5</sup>	Estimated Construction Start <sup>6</sup>	Sustainability Policy <sup>7</sup>
1	206	Nome - NJUS◆	AK2340010 (3,920)	Sclaircore Replacement-Ph III	Replacement/improvement to the failing 30 year old sclaircore direct bury water systems.	\$2,920,300	1.5%	20	\$1,000,000	\$2,920,300	ENG	6/1/2015●	Fix it First
2	190	Ketchikan◆	AK2120232 (8,250)	Schoenbar Road Water Main Replacement Phase 1 <sup>1</sup>	Install approximately 1,119-lf of 16" water main from Schoenbar Trail to Valley Forge Road; 200-lf of 4" – 10" water main throughout the project area; and misc. appurtenances. Upgrades will replace failing water main in the area.	\$1,591,967	1.5%	20	\$662,400			9/30/2017●	Fix it First
3	190	Ketchikan◆	AK2120232 (8,250)	Schoenbar Road Water Main Replacement Phase 2	Install approximately 1,119-lf of 16" water main from Schoenbar Trail to Valley Forge Road; 200-lf of 4" – 10" water main throughout the project area; and misc. appurtenances. Upgrades will replace failing water main in the area.	\$1,591,967	1.5%	20				9/30/2017●	Fix it First
4	175	Whittier◆	AK2211952 (220)	Whittier Harbor Upgrade	Demolition, removal and replacement of docks to include upgrading of electrical, Dry Fire System and potable water supplies.	\$1,805,000	1.5%	20		\$1,805,000	WTR	4/4/2017●	Fix it First
5	175	Wrangell◆	AK2120143 (2,000)	Water Treatment Plant Improvements	Design and construct water treatment plant improvements to increase treatment and production capacity and improve finished water quality.	\$450,000	1.5%	20				10/1/2018	Fix it First
6	126	Sitka	AK2130075 (9,084)	Brady-Gavan-Moller Water Main Replacement ■	Replace 38-42 year old cast iron water mains in Brady (HPR to Gavan), Gavan (Brady to Moller), and Moller rights-of-way with 8" diameter HDPE. Work includes 17 residential water services, a service to the Sitka Community Hospital, 4 hydrants, and road repairs.	\$1,620,500	1.5%	20		\$1,455,000	ENG	5/1/2018	Fix it First
7	121	Anchorage - AWWU	AK2210906 (221,351)	W 43rd Aero Constellation Water Rehab ■	Replace approximately 1023 feet of 1967- 6" cast iron water main at the end of its useful life.	\$697,000	1.5%	20				6/1/2018	Fix it First
8	121	Anchorage - AWWU	AK2210906 (221,351)	San Antonio-Camila-San Rob Water Rehab ■	Replace approximately 2034 feet of 1970- 8" cast iron water main at the end of its useful life.	\$1,389,000	1.5%	20				6/1/2018	Fix it First
9	121	Anchorage - AWWU	AK2210906 (221,351)	Ambergate Drive Water Rehab ■	Replace 430 feet of 1970 8" cast iron water main at the end of its useful life.	\$291,000	1.5%	20				6/1/2018	Fix it First
10	121	Anchorage - AWWU	AK2210906 (221,351)	Mink Avenue Water Rehab ■	Replace approximately 545 feet of 1969 6" cast iron water main at the end of its useful life.	\$371,000	1.5%	20				6/1/2018	Fix it First

Total Requested this page: **\$ 12,727,734**

Equivalency Amount this page: **\$ 4,368,500**

Total Subsidized Amount this page<sup>3</sup>: **\$ 1,662,400**

Total Subsidized Amount this page<sup>3</sup>: **\$ 6,180,300**

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

■ Equivalency Project (criteria may be referenced on page 15)

● Extra 50 points for approval to construct by February 21, 2017

1 Subsidy funding for the Schoenbar Road Water project is limited to available subsidy funds.

2 Total available project loan funding and subsidy under this IUP is \$38,448,368 and \$1,662,400, respectively. Equivalency = \$8,312,000

3 Criteria for being eligible for a loan subsidy may be referenced on page 15 under the narrative section of the IUP.

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

5 Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative.

6 50 points are only awarded if plans and specifications have been approved for construction by the end of the of questionnaire solicitation period.

7 Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "EUM" - Effective Utility Management to 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.

**ALASKA DRINKING WATER FUND  
Funding Priority List  
Fiscal Year 2018**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>2</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>3</sup>	Green Project Amount <sup>4</sup>	Green Project Type <sup>5</sup>	Estimated Construction Start <sup>6</sup>	Sustainability Policy <sup>7</sup>
11	121	Anchorage - AWWU	AK2210906 (221,351)	Bennington Drive Water Rehab ■	Replace approximately 625 feet of 1970 6" cast iron water main at the end of its useful life.	\$426,000	1.5%	20				6/1/2018	Fix it First
12	121	Anchorage - AWWU	AK2210906 (221,351)	Tanglewood Place Water Rehab ■	Replace approximately 580 feet of 1967 6" cast iron water main at the end of its useful life.	\$395,000	1.5%	20				6/1/2018	Fix it First
13	101	Sitka	AK2130075 (9,084)	Blue Lake Dedicated Water Line ■	Design and construct an 11,000-foot-long, 30" HDPE dedicated water line from Blue Lake to the water treatment plant to allow CBS to provide water to customers, without pumping, when the hydro penstock is down for maintenance.	\$4,000,000	1.5%	20		\$4,000,000	ENG	5/1/2018	EFM
14	101	Sitka	AK2130075 (9,084)	DeArmond Street Water Main Rehabilitation ■	Replace the 550-foot-long main with a new 8" HDPE line and 15 new water services. Lining the pipe using trenchless technology may be used as an alternative method.	\$522,000	1.5%	20				5/1/2018	Fix it First
15	101	Sitka	AK2130075 (9,084)	Lincoln Street (JD-Lake) Water Main Replacement ■	Replace the existing Lincoln Street main with a 16" main to complete the circulation improvement project that provides an alternate transmission main to the 50-year-old cast iron main in Sawmill Creek Road.	\$1,970,000	1.5%	20				5/1/2018	Fix it First
16	101	Anchorage - AWWU	AK2210906 (221,351)	E 7th-Lane to Pine Water Rehab ■	Replace approximately 572 feet of 1968 6" cast iron water main at the end of its useful life.	\$390,000	1.5%	20				6/1/2018	Fix it First
17	101	Anchorage - AWWU	AK2210906 (221,351)	Hillcrest Drive Water Rehab ■	Rehabilitate and/or replace approximately 2,357 feet of cast iron and steel water main along Hillcrest Drive that is at the end of its useful life.	\$400,000	1.5%	20				5/2/2017	Fix it First
18	101	Anchorage - AWWU	AK2210906 (221,351)	E 43rd Thorne Dale to Piper Rehab ■	Replace approximately 710 feet of 1970 6" cast iron water main at the end of its useful life.	\$483,000	1.5%	20				7/31/2018	Fix it First
19	101	Anchorage - AWWU	AK2210906 (221,351)	Inlet Place Water Rehab ■	Replace approximately 710 feet of 1953 6" cast iron water main at the end of its useful life.	\$483,000	1.5%	20				6/1/2016	Fix it First
20	101	Anchorage - AWWU	AK2210906 (221,351)	Boston Street Water Rehab ■	Replace approximately 895 feet of 1970 6" cast iron water main at the end of its useful life.	\$610,000	1.5%	20				6/1/2018	Fix it First
21	101	Anchorage - AWWU	AK2210906 (221,351)	Fischer Avenue Water Rehab ■	Replace approximately 898 feet of 1971 6" ductile iron water main at the end of its useful life.	\$612,000	1.5%	20				6/1/2018	Fix it First

**Total Requested this page: \$ 10,291,000**

**Equivalency Amount this page: \$ 10,291,000**

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

**Total Subsidized Amount this page<sup>3</sup>: \$ 4,000,000**

**Total through #21: \$ 23,018,734**

**Total through #21: \$ 14,659,500**

**Total through #21: \$ 1,662,400**

**Total through #21: \$ 10,180,300**

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

■ Equivalency Project (criteria may be referenced on page 15)

● Extra 50 points for approval to construct by February 21, 2017

1 Subsidy funding for the Schoenbar Road Water project is limited to available subsidy funds.

2 Total available project loan funding and subsidy under this IUP is \$38,448,368 and \$1,662,400, respectively. Equivalency = \$8,312,000

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

5 Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative.

6 50 points are only awarded if plans and specifications have been approved for construction by the end of the of questionnaire solicitation period.

7 Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "EUM" - Effective Utility Management to 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.

**ALASKA DRINKING WATER FUND  
Funding Priority List  
Fiscal Year 2018**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>2</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>3</sup>	Green Project Amount <sup>4</sup>	Green Project Type <sup>5</sup>	Estimated Construction Start <sup>6</sup>	Sustainability Policy <sup>7</sup>
22	101	Anchorage - AWWU	AK2210906 (221,351)	SCWTF Energy Use Rehab ■	Energy efficiency upgrades for non-process related items such as building mechanical and facility lighting.	\$325,000	1.5%	20		\$300,000	ENG	7/1/2017	EFM
23	101	Anchorage - AWWU	AK2210906 (221,351)	Becharof St Rakof to Chirikof Water Rehab ■	Replace approximately 988 feet of 1968 8" cast iron water main at the end of its useful life.	\$673,000	1.5%	20				8/15/2017	Fix it First
24	101	Anchorage - AWWU	AK2210906 (221,351)	East 3rd Ave, Post Rd to Ingra Water Upgrade ■	Upgrade approximately 1,100 feet of 8-inch cast iron main on East 3rd Avenue between Post Road and Ingra that has experienced a number of corrosion related failures.	\$720,000	1.5%	20				4/7/2018	Fix it First
25	101	Anchorage - AWWU	AK2210906 (221,351)	Military Reservoir 25 ■	Rehabilitation of the Reservoir 25 site including structural and site improvements, replacement of deficient pumps, leaking pipes, and other aged water system assets necessary to provide water supply and fire flow to the neighboring communities.	\$960,000	1.5%	20				8/15/2017	Fix it First
26	101	Anchorage - AWWU	AK2210906 (221,351)	E 42nd Lake Otis to Pipe Water Rehab ■	Replace approximately 3000 feet of 8" cast iron / ductile iron water main at the end of its useful life.	\$1,407,000	1.5%	20				5/16/2018	Fix it First
27	101	Anchorage - AWWU	AK2210906 (221,351)	Primrose-E17th-E18th Water Rehab ■	Replace approximately 2,214 feet 6" cast iron water main at the end of its useful life.	\$1,508,000	1.5%	20				6/1/2018	Fix it First
28	101	Anchorage - AWWU	AK2210906 (221,351)	E64th-E65th-Spruce-Elmore Water Rehab ■	Replace approximately 2300 feet of 1969 6" cast iron water main at the end of its useful life.	\$1,568,000	1.5%	20				6/1/2018	Fix it First
29	101	Anchorage - AWWU	AK2210906 (221,351)	Terminal Road Water Rehab 16-Inch ■	Upgrade a backbone water distribution main within the Port of Anchorage area that has had a history of corrosion related failures.	\$1,650,000	1.5%	20				5/26/2018	Fix it First
30	100	Wrangell◆	AK2120143 (2,000)	Ash Street Water Main Replacement	Replace water mains along Ash Street to improve water delivery to residents in the area by connecting existing low pressure zones to high pressure zones.	\$917,223	1.5%	20				4/2/2018	Fix it First
31	96	College Utilities◆	AK310900 (13,000)	Chena Marina Expansion	Install a total of 46,500 feet of new HDPE water main to provide water service to 298 lots that are previously unserved, construct a circulation station for freeze prevention, and bore under the Chena River to allow connections to the system.	\$3,075,176	1.5%	20				4/2/2018	

**Total Requested this page: \$ 12,803,399**

**Equivalency Amount this page: \$ 8,811,000**

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

**Total Subsidized Amount this page<sup>3</sup>: \$ 300,000**

**Total through #31: \$ 35,822,133**

**Total through #31: \$ 23,470,500**

**Total through #31: \$ 1,662,400**

**Total through #31: \$ 10,480,300**

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

■ Equivalency Project (criteria may be referenced on page 15)

● Extra 50 points for approval to construct by February 21, 2017

1 Subsidy funding for the Schoenbar Road Water project is limited to available subsidy funds.

2 Total available project loan funding and subsidy under this IUP is \$38,448,368 and \$1,662,400, respectively. Equivalency = \$8,312,000

3 Criteria for being eligible for a loan subsidy may be referenced on page 15 under the narrative section of the IUP.

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

5 Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative.

6 50 points are only awarded if plans and specifications have been approved for construction by the end of the of questionnaire solicitation period.

7 Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "EUM" - Effective Utility Management to 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.

**ALASKA DRINKING WATER FUND  
Funding Priority List  
Fiscal Year 2018**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>2</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>3</sup>	Green Project Amount <sup>4</sup>	Green Project Type <sup>5</sup>	Estimated Construction Start <sup>6</sup>	Sustainability Policy <sup>7</sup>
32	96	Haines◆	AK2110619 (1,463)	Small Tracts Water Main Extension	Extend service to approx. 44 developed parcels (on Small Tracts Road, Small Tracts Spur, and Bear Creek Trail Lane), which are currently not served by the utility, and are susceptible to onsite system contamination.	\$1,725,000	1.5%	20				5/1/2018	
33	81	Craig◆	AK2120193 (1,200)	Spruce Street Storage Tank	Fix tank leaks, install variable frequency drive pump and pressure switch, install associated controls to operate manually or automated, and install automated input pipe with control valve.	\$100,000	1.5%	20				10/2/2017	EFM
34	76	Anchorage - AWWU	AK2210906 (221,351)	Dowling Rd PRV and 92nd Ave PRV <sup>8</sup> ■	Construct Pressure Reducing Valve (PRV) Vaults near Old Seward and Dowling Road area and the Old Seward and 92nd Avenue area. Installation of new PRV's will ensure sufficient capacity is maintained in the area.	\$1,550,000	1.5%	20				2/11/2018	EFM

Total Requested this page: **\$ 3,375,000**

Total through #34: **\$ 39,197,133**

◆ Disadvantaged Community (criteria may be referenced on page 12)

Equivalency Amount this page: **\$ 1,550,000**

Total through #34: **\$ 25,020,500**

■ Equivalency Project (criteria may be referenced on page 15)

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

Total through #34: **\$ 1,662,400**

● Extra 50 points for approval to construct by February 21, 2017

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

Total through #34: **\$ 10,480,300**

1 Subsidy funding for the Schoenbar Road Water project is limited to available subsidy funds.

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# **APPENDIX IIIb**

## **ALASKA DRINKING WATER FUND**

### **Project Priority Planning List**



**ALASKA DRINKING WATER FUND  
Funding Planning List  
Fiscal Year 2018**

Rank	Score	Community Or System	Public Water System ID# (Population)	Project Title	Project Description	Assistance Amount <sup>2</sup>	Finance Rate	Term (Yrs)	Subsidy <sup>3</sup>	Green Project Amount <sup>4</sup>	Green Project Type <sup>5</sup>	Estimated Construction Start <sup>6</sup>	Sustainability Policy <sup>7</sup>
35	76	Anchorage - AWWU	AK2210906 (221,351)	SW 260 Zone Capacity Improvements ■	Construct a transmission main between Lake Otis Parkway and King Street, as well as a PRV, to move water from the 347 HGL zone to the 260 HGL zone. PRV and main upgrades will ensure sufficient capacity in the area and provide transmission main redundancy. .	\$4,800,000	1.5%	20				5/5/2018	EFM
36	76	Anchorage - AWWU	AK2210906 (221,351)	486 Zone Debarr Intertie ■	Construct approximately 700 feet of 16" backbone main between Debarr Vault and Early View Dr. to address hydraulic deficiencies in the NE 486 pressure zone to loop a dead end in the distribution system. The project will allow for the Muldoon Booster Station, which is near the end of it's useful life, to be abandoned.	\$1,022,000	1.5%	20				2/28/2018	EFM
37	76	Anchorage - AWWU	AK2210906 (221,351)	Jewel Lake Intertie ■	Construct approximately 1400 feet of 16" backbone water main and associated interties between 84th and 88th Ave as part of a road widening project.	\$1,196,000	1.5%	20				6/1/2018	Planning
38	76	Anchorage - AWWU	AK2210906 (221,351)	ER Well Rehab - Norfolk, Gruening, Well #8 ■	Rehabilitate Norfolk, Gruening, and/or Well 8 in Eagle River to allow them to function as production wells to supply the Eagle River Area.	\$500,000	1.50%	20				6/1/2018	EFM
39	71	Haines◆	AK2110619 (1,463)	Cathedral View Pump Station	Installation of a water booster station to increase water pressure to the Cathedral View area.	\$450,000	1.50%	20		\$6,000	ENG	5/1/2018	EFM
40	71	Craig◆	AK2120193 (1,200)	Add Baffles to Water Plant Contact Chamber	Installation of baffles to the existing 35,000 chlorine contact chamber and the 165,000 gallon water storage tank. In addition, add an additional 30,000 gallon baffled storage tank.	\$588,200	1.50%	20				9/18/2017	EFM
41	71	Craig◆	AK2120193 (1,200)	Replace 5.5 miles of Raw Water Main	Inspection and replacement of the raw water line from North Fork Lake to the Craig water treatment plant to ensure uninterrupted water flow.	\$2,900,000	1.50%	20				4/2/2018	EFM
42	46	Haines◆	AK2110619 (1,463)	Young Road Waterline Relocation	Abandon the existing water line where it crosses private property and construct a new 8" PVC water line in the right-of-way for Barnett Drive and Young Road. Improvement will ensure more reliable service.	\$273,200	1.50%	20				5/1/2018	EFM
43	41	Craig◆	AK2120193 (1,200)	New Water Source Study	A study to look at other local water sources, including incorporating water from the city's prior water source as a supplement to the existing water source. Additional water sources will ensure more reliable service.	\$100,000	1.50%	20				9/11/2017	Planning

**Total Requested** **\$ 11,829,400**

**Equivalency Amount:** **\$ 7,518,000**

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

**Total Green Amount:** **\$ 6,000**

**Total through #43:** **\$ 51,026,533**

**Total through #43:** **\$ 32,538,500**

**Total through #43:** **\$ 1,662,400**

**Total through #43:** **\$ 10,486,300**

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

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

● Extra 50 points for approval to construct by February 21, 2017

1 Subsidy funding for the Schoenebar Road Water project is limited to available subsidy funds.

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7 Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "EUM" - Effective Utility Management to 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 IV**

## **Public Comments**

**The following is a summary of comments and questions received during the public comment period of the draft SFY18 ADWF IUP, as well as ADEC's response to each:**

*Environmental Protection Agency (EPA):* Page 7, Admin fees, this says that DEC will draw on fees to pay for program administration. However, I thought ADEC was exclusively using the ACWF fees for admin for both programs.

*ADEC:* EPA is correct and the IUP has been revised to reflect this correction.

*EPA:* Page 9, Fund Draw Procedures, delete the language here about the match for the 10% State Program Management set-aside, since this is no longer required. So set-aside draws are all 100% Federal now, and using grant specific proportionality for loan draws.

*DEC:* We concur and have made this correction.

*EPA:* Page 9, Set-Aside use projections, this says that 31% will continue to be used. However, for the last couple of years the 4% admin set-aside hasn't been used at all, nor has the 2% SSTA been fully utilized over time. So suggest revising this to reflect true % of set-aside use.

*DEC:* This section describes how ADEC projects overall loan fund growth in the long term. Although in recent years these set asides haven't been used, ADEC expects to do so in the coming years and therefore the long term projection remains as originally described. The language has been revised to reflect ADEC's intentions to use banked set-aside in the near future.

*EPA:* Section 1 of PPL, why is the Ketchikan Schoenbar project split into two phases with two separate loans for the same amount each but with an identical project description?

*DEC:* Ketchikan broke the project into phases in hopes of pairing the loans with matching grants. ADEC intends to offer one loan for both phases.

*EPA:* Footnotes in PPL say that \$46m is available for loans. But the sources & uses table says it is \$38m.

*DEC:* This was a typographical error that has been corrected.

*Anchorage Water Wastewater Utility (AWWU):* The project amount listed in the questionnaire for the ER Well Rehab-Norfolk, Gruening, Well #8 was \$1,694,000; AWWU requested that it be reduce to \$500,000.

*ADEC:* This revision has been made in the final IUP.