

# Intended Use Plan

## Drinking Water State Revolving Fund State Fiscal Year 2023

Approved by the Board of Environmental Quality



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**DRINKING WATER PROJECT**  
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# 1 Introduction

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (Public Law 104-182) were signed into law. SDWA, Section 1452 authorized the Administrator of the United States Environmental Protection Agency (EPA) to establish a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with the SDWA requirements and to protect public health. The DWSRF is administered by the Idaho Department of Environmental Quality (DEQ) Water Quality Division Loan Program, which also administers the Clean Water State Revolving Fund (CWSRF).

Section 1452(b) requires each state to annually prepare an Intended Use Plan (IUP) identifying the use of funds in the DWSRF and describing how those uses support the goal of protecting public health.

The IUP was finalized for the state fiscal year 2023 (SFY 2023 is from July 1, 2022, through June 30, 2023) after a 21-day public comment period and adoption by the Board of Environmental Quality.

The sources of federal funding identified in this IUP include the federal fiscal year (FFY) 2021 and 2022 capitalization grants and FFY22 Bipartisan Infrastructure Law (BIL) general supplemental grant.

The BIL was signed into law November 15, 2021, which was after DEQ provided letters of interest (applications for funding) to communities. Funding in this IUP does not address the BIL grants for emerging contaminants or lead service line replacement. These grant programs will be included in DEQ's future IUPs as these programs need to be developed.

The IUP includes the following:

- A list of prospective loan projects, ranked in priority order, including the size of systems, estimated project costs, and project descriptions. Note: projects are technically funded via the purchase of debt but are referred to, for ease of reading, as "loans"
- The criteria and methods for distribution of funds
- Short-term and long-term goals of the DWSRF
- DWSRF set-aside activities
- Assurances and specific proposals

## 2 Estimated Funds Availability

Cash and Investments Holdings	\$63,343,927	
EPA Capitalization Grant FFY 2022 (actual?)	7,008,000	
State Match	1,401,600	
Bipartisan Infrastructure Law FFY2022	17,992,000	
State Match (w/ 10% overmatch)	3,598,400	
Loans Receivable:		
SFY 2022 Feb-June (5 months)	2,214,056	
SFY 2023	6,143,877	
SFY 2024-2026	18,443,673	
Income on Cash/Investments:		
SFY 2022 Feb-June (5 months)	320,625	
SFY 2023	862,500	
SFY 2024	1,000,000	
<b>Total Resources:</b>		<b>\$122,328,658</b>
Current Remaining Loan Obligations:	(\$82,855,881)	
(Loans in construction less disbursements)		
(Less transfer to CWSRF)	(\$10,000,000)	
Add back: project shrinkage	4,142,794	
(Some projects will self-finance and reduce disbursement requests from the DWSRF)		(88,713,087)
<b>Net Resources Available to Provide Assistance:</b>		<b><u><u>\$33,485,971</u></u></b>

### Key Assumptions

Projects take an average of 28 months to construct and close from the date of loan signing. New loan obligations cannot exceed **Net Resources Available to Provide Assistance**. The next projection will be made on February 1, 2023.

## 3 List of Projects

Attachment I is the SFY 2023 Drinking Water Loan Fundable, and Attachment II is the SFY 2023 Drinking Water Loan Priority List. Upon completion of the public comment period, a final Priority List will be presented to the Board of Environmental Quality on June 23, 2022 for final approval. Projects are arranged on the Priority List in priority order. The method for determining the priority rating for projects and the public involvement process are described in the latter parts of this document.

## 4 Program Goals

DEQ's long-term, basic SRF Loan Program goals are as follows:

1. Protect the public health of citizens served by drinking water systems by offering financial assistance to construct cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms and may include principal forgiveness for disadvantaged communities.
2. Assist public water systems in achieving and maintaining statewide compliance with federal and state drinking water standards.
3. Implement a capacity development strategy. The capacity development program is to assist public drinking water system's improve or optimize their technical, managerial, and financial framework so they can sustainably provide safe drinking water to their customers in a cost-effective manner.
4. Implement a source water assessment and protection strategy. The goal is supported through assessing public drinking water sources, source water protection planning, and providing tools, technical assistance and subawards to support the implementation of protection strategies.
5. Manage the Idaho DWSRF to ensure its financial integrity, viability, and revolving nature in perpetuity.
6. Manage the imbalance between the demand upon DWSRF and CWSRF resources. See Attachment IV for further discussion of inter-fund transfers.

DEQ's short-term, basic SRF Loan Program goals are as follows:

1. Ensure all appropriate loan assistance requested is provided in a timely manner.
2. Finalize the revised Grant and Loan handbook.
3. Ensure funded projects that receive points for sustainability efforts (i.e. Green Project Reserve) report on efforts. Preliminary amounts identified for sustainability efforts are provided in Attachment I.
4. Ensure that the floor of 26% of the capitalization grant and 49% of the BIL grant are provided as loan subsidy as required. See Section 5.2 for subsidy information.
5. Make necessary changes to accommodate the requirements of the FFY 2022 EPA capitalization grant and Bipartisan Infrastructure Law grants.
6. Fully utilize the new loan servicing software application. The software is intended to achieve reporting efficiencies, better serve DEQ regional project managers in their day-to-day administration of loan projects, allow DEQ State Office staff to better manage the loan fund with long-term forecasting, and reduce duplicate data entry. The software is being purchased with a mix of DWSRF and CWSRF loan fees.
7. Dedicate a portion of the additional subsidization to reduce the risk of lead in systems that are influenced by corrosive water (see Fundable List, Attachment I). This funding will be replaced by the BIL Lead Service Line Replacement grant and set-asides.
8. Monitor and take necessary actions to ensure the annual capitalization grant and set-asides are spent within two years in accordance with EPA's policy. Set-aside funds may

be transferred into the loan fund, if it appears that the set-aside funds will not be disbursed within two years.

9. Continue to implement funding for emergencies.
10. Implement an administrative framework needed to leverage through the Idaho State Bond Bank.
11. Use a competitive process to provide a portion of the source water set-aside funding to local governments and nonprofit organizations for implementation of source water protection activities.
12. Manage American Rescue Plan Act (ARPA) funds and BIL funding concurrently with the DWSRF funds. The priority list of ARPA projects is in Attachment VI.
13. Establish programs to implement the Emerging Contaminants and Lead Service Line Replacement BIL grants.

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## 5 Information on the Activities to be Supported

### 5.1 Allocation of Funds

The primary type of assistance provided by the DWSRF is expected to be in the form of low-interest loans for up to 100% of project costs. The effective rate of interest will vary from a ceiling of 2.00% and a floor of 1.25%. The current policy is stated in DEQ Policy Memorandum PS22-04. An interest rate floor is established to help offset the effects of inflation and to encourage communities to complete their projects in a timely manner. This rate is tied to the loans issued from the SFY2023 Intended Use Plan.

All loans will be paid back over a period not to exceed 20 years unless it is a disadvantaged loan where a 30-year period is allowed. Principal and interest repayments will begin no later than one year after the date the constructed facility initiates operations.

Disadvantaged loans may have lower interest rates and principal forgiveness (see Attachment III for an explanation of the Disadvantaged Loans program). The average design life of the project must equal or exceed the repayment term.

The FFY 2022 capitalization grant funding is expected to require \$1,822,080 (26% of the \$7,008,000 capitalization grant, or the "floor") be distributed as a subsidy or principal forgiveness. The "ceiling" is per the capitalization grant is \$3,433,920. Idaho will accomplish the principal forgiveness requirement through compliance with the "Rules for Administration of the Wastewater and Drinking Water Loan Funds" (IDAPA 58.01.12.021) requirements for disadvantaged communities and will document the proposed funding terms in Attachment I, Fundable List.

The FFY 2022 BIL general supplemental grant requires \$8,816,080 (49% of the \$17,992,000 grant) to go to principal forgiveness.

### 5.2 Principal Forgiveness, Project Subsidies, and Emergencies

Idaho will adopt 26% (of the capitalization grant) principal forgiveness allocation to include \$1,000,000 for emergencies and lead remediation. The proposed funding terms, in Attachment I, will reflect a principal forgiveness provision of 26% of the FFY 2022 capitalization grant. The capitalization grant is estimated to equal \$7,008,000 (for the entire state) and 26% of that figure is \$1,822,080.

In addition, Attachment I will reflect the principal forgiveness provision of 49% of the FFY 2022 BIL general supplemental grant. BIL general supplemental grant equals \$17,992,000 (for the entire state) and 49% of that figure is \$8,816,080. Disadvantaged systems will share equally, on a project cost pro-rata basis, in the \$8,816,080 from BIL and \$822,080 (of the \$1,822,080) for a total of \$9,638,160. The remaining \$1,000,000 will be used for emergencies and lead remediation.

Principal forgiveness is allocated to systems that have long-term loan repayments to the DWSRF program. Interim financing is not considered a long-term loan with DEQ. Interim



financing given by DEQ could affect any principal forgiveness the system is slated to receive. If the minimum percentage of principal forgiveness is not reached by the end of the fiscal year, loans receiving interim financing that qualify for principal forgiveness may receive principal forgiveness.

To automatically be considered for principal forgiveness, the system's annual user rates will need to exceed 2.00% of the community's median household income. If user rates fall between 1.50% and 2.00% of median household income, principal forgiveness will be considered and DEQ will verify that:

- The most recent census reports a decline in population for the community during the recent five year reporting period: <https://censusreporter.org/locate/>.
- Unemployment exceeds 2.6% the statewide average, as posted on the Idaho Department of Labor's website, as of December 29, 2021: <http://labor.idaho.gov/dnn>.

To the extent entities on the Fundable List exceed user rates of \$100 per month, up to 50% of the \$9,638,160 will be allocated proportionally. After the allocation of the initial 50% of principal forgiveness, all disadvantaged systems will share equally, on a project cost pro-rata basis, in the remaining \$4,819,080 that is available for principal forgiveness. The proposed funding terms first adjust the length of the loan term and secondly the interest rate is adjusted to the disadvantaged rate without lowering the monthly user rate below 1.50% of median household income. After these steps are taken, the remaining projects in disadvantaged communities will be provided principal forgiveness based on the highest rates amongst the fundable systems. Principal forgiveness is capped (on an individual loan basis) at the amount necessary to get to 1.50% of median household income.

Further description of the use of principal forgiveness is outlined in Attachment III.

### **Reduction of Lead and Copper Exposure**

Public drinking water systems (including public schools (K-12)) will have access to \$500,000, per year for the entire state, for projects that:

- Address corrosion control treatment requirements for lead; or,
- Address lead service line replacement requirements; and,
  - The system has triggered the requirement to implement a lead service line replacement program or other approved lead mitigation practices under the currently adopted lead and copper rule (i.e., Corrosion Control Treatment, Lead Service Line Replacement, provision of point of use for lead, or replacement of all lead-bearing materials).

At the end of the year unused project subsidy funds will not be rolled forward into the next year.

Note that this funding is not the BIL Lead Service Line funding.

## **Emergencies**

DEQ's SRF program will provide funding for emergency situations up to a total of \$500,000 for the state. Public water system owners or operators seeking emergency funding should call the DEQ State Office (208) 373-0122 to discuss their needs and application process.

Should there be any principal forgiveness monies that were not utilized by economically disadvantaged communities, they will be considered for emergency use on a case-by-case basis.

Criteria for emergency funding:

- The situation must be a serious and unexpected situation that requires immediate action.
- An emergency must be declared by a local, state, or national governmental entity.
- Public health must be at imminent risk.
- Will not be used for addressing deferred maintenance issues.
- Intended for like-kind replacement, unless the damaged infrastructure would not meet current standards.
- Replacement work should all be done in existing footprint of damaged infrastructure, unless such an approach would not allow the facility to meet current standards.
- Infrastructure repairs or replacements will only be made to fix the proximate cause of the emergency.
- Costs incurred for replacement prior to a loan being signed will be considered for inclusion in the loan.
- Legal debt authority must be obtained if DEQ is unable to entirely meet replacement needs with project subsidy.
- Receipts must be submitted to justify all costs. "All" costs include any cash advances or costs incurred prior to the funding assistance agreement having been signed.
- Any over-payments by DEQ (most likely happening in the context of an advance) will require reimbursement by the funding recipient.
- Rules for SRF loans will be followed to determine cost/expense eligibility.
- Volunteers will not be compensated for their time. All personnel time, in order to be eligible, must be supported by the existence of W-2's or contracts.

## **Loan-Eligible Activities**

DWSRF loans will provide for the construction of water supply, treatment, storage, and distribution facilities. DWSRF loan assistance will be provided to local communities, counties, water districts, and nonprofit associations. If growth or fire flow are funded, they cannot constitute the primary purpose for the loan.

DEQ may award any combination of planning, design, and construction loans from the DWSRF.

## **Use of Set-Asides**

The following set-asides are based on federal grant awards for the capitalization grant and the general supplement grant for a total estimated amount of \$25,000,000. If the grants are less or more, the set-aside amounts will be proportionately reduced or increased. Set-aside use requirements are outlined in the Code of Federal Regulations, 40 CFR 35.3535.

### *4% Administration and technical assistance set-aside.*

DEQ plans to reserve 4% or \$1,000,000 of the FFY 2022 capitalization grant (\$280,320) and BIL general supplemental grant (\$719,680) for administrative expenses of the DWSRF. Such activities include, but are not limited to preparation of project lists; project application, review, and monitoring; review of environmental documents; disbursement of loan funds; receipting of loan repayments; and administering activities funded from the DWSRF set-asides.

### *2% Technical assistance set-aside.*

DEQ plans to reserve 2% or \$500,000 of the FFY 2022 capitalization grant (\$140,160) and BIL general supplemental grant (\$358,440) to provide technical assistance to small public water systems serving fewer than 10,000 people. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

### *10% State program management set-aside.*

DEQ plans to reserve 10% or \$2,500,000 of the FFY 2022 capitalization grant (\$700,800) and BIL general supplemental grant (\$1,799,200) to supplement the administration of the Drinking Water Bureau. DEQ anticipates using this funding to assist communities with lead service line inventories until a program for the BIL Lead Service Line grant can be established. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

### *15% Local assistance and other state programs set-aside.*

DEQ plans to reserve 10% or \$2,500,000 of the FFY 2022 capitalization grant (\$700,800) and BIL general supplemental grant (\$1,799,200) for source water protection. These funds will be used to assess public drinking water sources to characterize the water source and determine its susceptibility to contamination; assist with developing and implementing source water protection plans; implement source water protection projects and develop tools and resources to facilitate source water protection implementation efforts; and provide source water protection education, outreach, training, and technical assistance to owners and operators of public water systems, staff at local governments, schools, businesses, and the public. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 5% or \$1,250,000 of the FFY 2022 capitalization grant (\$350,400) and BIL general supplemental grant (\$899,600) for implementation of the capacity development strategy. These monies will fund the several capacity development tasks as detailed in the approved work plan. DEQ may utilize the additional funds to assist communities with lead

service line inventories until a program can be established to utilize the BIL lead service line grant. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used. DEQ will utilize \$100,000 from this grant to pay for drinking water planning grants.

If the amount of funds reserved for the set-asides are not projected to be used by the end of the second year, or as agreed upon between EPA Region 10 and DEQ, the excess funds will be transferred into the loan corpus. When 2%, 4%, or 10% set-asides are transferred to the loan corpus, the amounts transferred may be considered as "banked" and if additional set-aside funds are needed in the future, the programs needing set-aside funds may draw upon these "banked" funds. However, the 15% set-asides (used for Source Water Protection and for Capacity Development) cannot be "banked."

### **Assistance Agreement Fees**

In order to support administrative costs associated with operating the DWSRF program, a fee program was instituted. The fee will be 1% of the unpaid balance of the assistance agreement (unless the grand total of the interest rate and fee is less than 1%, in which case the fee will be reduced), payable when the regular repayments are made. Herein the term effective interest will be the sum of the fee and the true interest. The interest rate will be reduced by the corresponding percentage of the fee, so there is no net effect on borrowers. .

For SFY 2021, the fee revenues were \$549,393, and for SFY 2022 the expected fee revenue should be approximately the same as SFY 2021. The fee cash balance, mid-way through SFY 2022, was \$1,210,254.58. In the second half of SFY 2022, approximately \$150,000 of fee revenues will be used to fund DWSRF administrative and technical support costs incurred beyond the federal capitalization grant support level and drinking water planning grant support.

Support for drinking water planning grants will include direct support to municipalities for their plan development and the DEQ staff time to administer the grant support. The DEQ personnel costs will be drawn from each regional office and the state office in Boise. In each regional office, the personnel charging against the fee account will be engineering staff to support drinking water planning grants. In the state office, the personnel time will consist of financial and environmental review staff.

Surplus fee revenues will be transferred into the assistance agreement repayment account, to increase available resources for assistance agreements. Surplus fees will earn the same interest as regular repayment idle monies and will be periodically transferred to the fund corpus. Should a cash flow deficiency arise in the fund corpus, surplus fees would be transferred ad hoc.

## **6 Assurances and Specific Proposals**

### **6.1 Environmental Reviews**

DEQ certifies that it will conduct environmental reviews of each project receiving assistance from the DWSRF. DEQ will follow the EPA-approved State Environmental Review Process (SERP) for conducting environmental reviews.

These procedures are outlined in the “Rules for Administration of the Wastewater and Drinking Water Loan Funds” (IDAPA 58.01.12). More detailed procedural description is found in the SRF Customer Handbook (Chapter 3, Section 3.2), located at:

<https://www2.deq.idaho.gov/admin/LEIA/api/document/download/16777>

### **6.2 Binding Commitments**

As required, DEQ will enter into binding commitments in an amount equal to the most recent grant awards and proportional state match within one year of receipt of those funds.

### **6.3 Timely and Expeditious Expenditures**

DEQ will strive to expend all funds in the DWSRF in a timely and expeditious manner. Should additional funds be made available to the Idaho DWSRF during the course of SFY 2023, the Idaho DWSRF will use the existing Priority List to allocate and commit those additional funds.

### **6.4 State Matching Funds**

DEQ agrees to deposit state monies into the DWSRF in an amount equal to 20% of the federal capitalization grant and the BIL stimulus grant on or before the date by which the State of Idaho receives the cash draw from EPA. These funds will be transferred from a combination of the state's Water Pollution Control Account and from the loan fee account. The FFY2022 BIL supplemental grant only requires a 10% match, but DEQ will be matching 20% to meet Idaho Code.

### **6.5 State Laws and Procedures**

DEQ agrees to make expenditures according to applicable state laws and procedures.

### **6.6 National Reporting Requirements**

DEQ agrees to provide data or information to EPA as may be required for national reports and public or congressional inquiries. Capitalization grant-funded recipients will be monitored (by DEQ's Fiscal Section) for Single Audit Act compliance. DEQ agrees to comply with and require recipients of assistance agreements from the DWSRF to comply with applicable federal cross-cutting requirements. The basic rules for complying with cross-cutting federal authorities are set out in 40 CFR §35.3575. DEQ will notify EPA when consultation or coordination by EPA is

necessary to resolve issues regarding these requirements. These requirements include Disadvantaged Business Enterprise (DBE) compliance and Federal Funding Accountability and Transparency Act (FFATA) reporting. In order to minimize administrative complexity and the burden on borrowers, the DWSRF program will select projects with a dollar value equaling the most recent federal capitalization grant award that is reserved for loans, to comply with the FFATA requirements. Additionally, FFATA reporting will be conducted for set-aside single transactions that equal or exceed \$30,000.

American Iron and Steel, and Davis Bacon wage provisions compliance apply to all funds (not just the capitalization grant and BIL funds) in the DWSRF and carry reporting and compliance requirements. If any SRF funds are used for projects, these requirements apply. For all equivalency projects, American Iron and Steel, Build America Buy America, and Davis Bacon wage provisions apply.

## **6.7 Transfers Between State Revolving Fund Loan Funds**

Should transfers become needed, DEQ reserves the right to transfer surplus funds originating back to FFY 1997 capitalization grant awards. See Attachment IV for listings of capitalization grants and the related narrative. Per 40 CFR 35.3550, a state may reserve the authority to transfer funds in future years. Funds may be transferred on a net basis, provided that the 33% transfer allowance associated with the DWSRF program capitalization grants received is not exceeded. Only repayments will be used for transfers. In order to meet the increase demand for loans for the CWSRF, \$10,000,000 will be transferred in SFY2023. Through SFY 2022, \$40 million in transfers will have been made from the DWSRF to the CWSRF.

## 7 Criteria and Method for Distribution of Funds

Idaho public drinking water systems will be queried regularly to obtain information regarding projects for which loan monies could be used. Additional information about potential projects will be obtained from DEQ regional office engineers, privately retained consulting engineers, and other state and federal agencies. DWSRF monies will be distributed according to the methods, criteria, and eligible activities as identified and described in IDAPA 58.01.12.

The criteria and methods for distribution of funds are designed to allow maximum flexibility in providing assistance, thereby enhancing the long-term viability and revolving loan aspect of the DWSRF program.

DEQ will use the priority rating system outlined here for managing the DWSRF program. Only projects on the joint Fundable/Priority List are eligible for funding.

DEQ reserves the right to fund lower priority projects over higher priority projects that are not ready to proceed. In such instances, DEQ will comply with established bypass procedures. DEQ may add projects to the Fundable List due to emergencies such as an unanticipated system failure or a project that is needed to prevent an imminent health threat.

No funding commitment will be made to a project until an engineering report; environmental review; and a financial, managerial, and technical assessment have been completed, although any project without a repayment obligation would not require underwriting.

The rating criteria used for the SFY 2023 Fundable/Priority List are as follows:

**Table 1. SFY 2023 DWSRF Rating Criteria**

Public Health Hazard	(Maximum section points = 100)
	Maximum Points
▪ Microbiological violations	10
▪ Chemical violations	10
▪ Surface water treatment technique	10
▪ Low pressure events	22
▪ Reduction in source capacity	22
▪ Significant system deficiencies	16
▪ Unregulated contaminants	10
General Conditions of Existing Facility	(Maximum section points = 60)
▪ Treatment deficiencies	21
▪ Source deficiencies	17
▪ Distribution deficiencies	19
▪ Redundancy and standby power	5

Sustainability Efforts	(Maximum section points = 50)
<ul style="list-style-type: none"> <li>▪ Management-based efforts</li> <li>▪ Green Efforts</li> <li>▪ Water Conservation Efforts</li> <li>▪ Energy Conservation Efforts</li> </ul>	<p>45</p> <p>10</p> <p>25</p> <p>30</p>
Consent Order, Compliance Agreement Schedule, or Court Order	(Maximum section points = 30)
<ul style="list-style-type: none"> <li>▪ Funding solves technical issues</li> </ul>	30
Incentives	(Maximum section points = 12)
<ul style="list-style-type: none"> <li>▪ Current source water protection plan</li> <li>▪ Cross-connection control program</li> <li>▪ No significant deficiencies in the last sanitary survey</li> <li>▪ Using properly licensed Substitute Responsible Charge Operator</li> <li>▪ No more than one failure to monitor violations in past 5 years for all analyses</li> <li>▪</li> </ul>	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>
Affordability	(Maximum section points = 10)
<ul style="list-style-type: none"> <li>▪ Project user charge exceeds affordable criteria</li> </ul>	10



## **8 Additional Information Requirements**

### **8.1 Public Review and Comment**

The IUP contents, including the Priority List, are subject to a public participation process. Regional office staff made personal contact with drinking water systems in their respective areas that had indicated interest and rated the projects. Priority Lists were also disseminated to all state and federal agencies involved in infrastructure financing. Those agencies, including the United States Department of Agriculture-Rural Development, Rural Community Assistance Corporation, and Idaho Department of Commerce (Community Development Block Grants), meet periodically to discuss potential projects.

In addition to the above, the IUP, including the Fundable List and the Priority List, was posted on the DEQ website, and notices inviting comment were published in the state's major newspapers during the comment period.

A summary of the public participation process is included as Attachment V.

Projects from the SFY 2023 Priority List for which DEQ intends to provide loan funding are identified in Attachment I. These projects will be considered for approval by the DEQ Board at a special meeting held on June 23, 2022.

### **8.2 Bypass Procedures**

A project that does not or will not meet the project target date or a DEQ schedule that allows for timely use of loan funds may be bypassed, substituting the next highest ranking project(s) that is ready to proceed, as identified and described in IDAPA 58.01.12. DEQ intends to use Priority List ranking as much as possible when preparing the list of fundable projects. However, a lack of adequate funding, changes in project scope, failure to pass a bond election, or other unforeseen circumstances may require that a project on the IUP Priority List be bypassed. If a project is bypassed, DEQ will offer loan funds to the highest ranked, ready-to-proceed project from the most current approved Priority List. Bypassed projects will be listed in the Annual Report.