

STATE OF RHODE ISLAND
FY2015 INTENDED USE PLAN

in support of the

FEDERAL FISCAL YEAR 2014 CAPITALIZATION GRANT

*To be made available by the Safe Drinking Water Act Amendment of 1996 for the
Drinking Water State Revolving Fund*

I. INTRODUCTION

This document serves as the State of Rhode Island's application for the Environmental Protection Agency's Federal Fiscal Year (FFY) 2014 Drinking Water State Revolving Fund (DWSRF) Capitalization Grant as authorized by Section 1452 of the Safe Drinking Water Act Amendments of 1996 (the Act). This application requests the award of a grant totaling \$8,845,000. The RICWFA agrees to provide, through methods available to it, the appropriate State Matching Funds of \$1,769,000 for the federal fiscal year 2014 grant. The State Match will be deposited into the DWSRF upon payment of federal funds into the Automated Clearing House as required by the Act.

II. THE RHODE ISLAND DWSRF PROGRAM

A. DWSRF Administration

The entities involved in the application for this federal capitalization grant are the Rhode Island Clean Water Finance Agency (RICWFA) and the Rhode Island Department of Health (HEALTH). The RICWFA is the designated lead agency of the State of Rhode Island DWSRF Program and is empowered to enter into capitalization grant agreements with the Regional Administrator, to accept capitalization grant awards, and to otherwise manage the fund in accordance with the requirements and objectives of the Safe Drinking Water Act Amendments of 1996 (SDWA), as established by Chapter 46-12.8 of the General Laws of Rhode Island as amended.

HEALTH is designated as the primacy agency for the SDWA, and will be responsible for: establishing assistance priorities; assisting in developing the Intended Use Plan (IUP); establishing project priority lists; determining project eligibility; performing technical project reviews; monitoring construction; approval or denial of payment and determining and implementing the Technical Assistance, Local Assistance and State Program Management set-aside programs.

A Memorandum of Understanding, (MOU) exists between the two agencies and is included as Attachment D to the application package. A 2015-2017 MOU is currently under review.

B. Planned Program Activities

This capitalization grant application is for the project amounts and set-aside dollars made available to the State of Rhode Island for federal fiscal year 2014.

The IUP included as Section III.B to this document outlines the anticipated use of all dollars available in the DWSRF and the methods of financing to be used to make construction loans to Rhode Island water suppliers.

The financial structure of Rhode Island's DWSRF Program will be a culmination of extensive modeling and analyses which will provide the DWSRF Program with the flexibility to accomplish its goals within the changing financial, legal and/or political environment.

The State of Rhode Island DWSRF has a financing structure flexible enough to meet the needs of the varied types of water suppliers who seek financial assistance from the program while ensuring the financial health of the DWSRF, the Agency, its bond holders, and existing financial assistance programs. The financial structure attempts to maximize the number and volume of loans the Agency can safely make to the local communities and water supply authorities while complying with the Safe Drinking Water Act Amendments of 1996 and the associated rules promulgated by EPA.

III. CAPITALIZATION GRANT AGREEMENT

A. EPA/RICWFA Operating Agreement

The Operating Agreement (OA) which establishes a mutual obligation between the U.S. Environmental Protection Agency (EPA) and the RICWFA for the implementation of the DWSRF is in effect as of December 1997. The purpose of the Operating Agreement is to define and integrate rules, regulations, guidelines, policies, procedures, and activities to be followed by EPA and the RICWFA in administering the DWSRF Program prescribed by Section 1452 of the Safe Drinking Water Act. The OA will continue from year-to-year and will be incorporated by reference into the annual SRF capitalization grant agreement.

The RICWFA agrees that any modifications to this agreement that may be required by EPA regulations, policies, or program guidance, will be made and implemented where applicable within six months of issuance or on such other schedule as negotiated with EPA. If feasible, such modifications may be discussed at the time of the annual review. EPA agrees that, unless mandated by Federal law, modifications will not apply retroactively, unless agreed to by the RICWFA.

Detailed information concerning Rhode Island's SRF laws, rules, policies and procedures are incorporated by reference in the Operating Agreement. During or before the annual capitalization grant application submittal process, changes to the Operating Agreement will be considered and only the materials relevant to the proposed changes shall be submitted for EPA's consideration.

Information which changes from year-to-year shall be contained in the Annual Application for Federal Assistance and the Intended Use Plan.

Several specific assurances necessary for submittal of a capitalization grant agreement are included in the Operating Agreement. These include:

- ◆ An assurance that the State has the authority to establish the DWSRF and will operate the DWSRF program in accordance with the SDWA;
- ◆ Assurance that the State will use Generally Accepted Accounting Principles;
- ◆ Assurance that the State will have the DWSRF fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards;
- ◆ Assurance that the State will commit and expend funds as efficiently as possible and in an expeditious and timely manner;
- ◆ Assurance that funds will be used in accordance with the Intended Use Plan, and;
- ◆ Assurance that the State will provide EPA with a biennial report.

Other assurances specific to the award and acceptance of the DWSRF capitalization grant are noted in the Intended Use Plan, included as the next section of this document.

As per the OA, EPA agrees to review the capitalization grant application and take appropriate action within 60 days of receipt of a complete application (Application for Federal Assistance with supporting documentation and certifications and any modifications to the OA, the annual IUP, and proposed payment schedule) in the Regional Office. EPA shall either approve the application and award the Capitalization Grant or shall notify the RICWFA in writing of issues requiring resolution. The RICWFA and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during review of the Capitalization Grant application. The RICWFA agrees to act upon the Capitalization Grant offer within 30 days of EPA approval.

III. Capitalization Grant Agreement

B. DWSRF Intended Use Plan

1. Introduction

The Rhode Island Clean Water Finance Agency ("Agency" or "RICWFA"), hereby submits to EPA, the Intended Use Plan (IUP) for the Safe Drinking Water Act, Section 1452 funds available to the State of Rhode Island for federal fiscal year 2014. The federal fiscal year 2014 allotment for the State of Rhode Island is \$ 8,845,000. The 20% state match requirement of \$1,769,000 will be deposited into the Drinking Water State Revolving Fund (DWSRF) upon payment of federal funds into the Automated Clearing House as required by the Act. A portion of a November 2012 State Referendum Question that allowed for \$8M to be used for State Match will be used for this capitalization award with the balance being used for future capitalization grants.

With the award of the FFY2014 federal grant, it is the State's intention to continue a subsidized loan program for eligible publicly and privately organized drinking water suppliers in the State of Rhode Island.

To determine which projects are to be funded by the DWSRF, the Rhode Island Department of Health has prepared its Project Priority List (PPL). The Agency identifies projects to be funded starting from the highest rated and working down to the funding line drawn across the PPL. In addition to the most current PPL, a carryover list is also included as Appendix A to the IUP. The carryover list identifies large multi-year projects that require more than one borrowing event. These projects were partially funded in prior years, but are not yet complete and have been removed from the PPL after the initial loan was made.

Projects expecting to need SRF funds in the next fiscal year are identified in priority order. HEALTH has developed a tie-breaking procedure; by-pass provisions; by-pass for small systems procedure; and emergency projects procedure as part of the Rules and Regulations Pertaining to the DWSRF Program which are included as Attachment B to the grant application package.

The PPL was formatted in accordance with EPA requirements of GPR and the base DWSRF program. Although the State chose the option of opting out of the GPR for the FY 2012, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR. Additionally, the DWSRF regulations are in the process of being revised to reflect funding of only Categorical Green projects as detailed in the capitalization grant operating procedures for that given fiscal year.

The State of Rhode Island is currently not contemplating the transfer of capitalization grants from the DWSRF to the Clean Water SRF or vice-versa; but reserves the right to do so if the need arises. The State reserves the right to transfer up to 33% of the DWSRF Capitalization grant to the Clean Water State Revolving Fund (CWSRF), or an equivalent amount from the CWSRF to the DWSRF. Since program inception, no transfers have been made.

2. Revision to the Intended Use Plan

This IUP is for construction projects listed on the Project Priority List. Throughout the course of the year, the need may arise to amend this IUP. In the event that projects identified for funding in the IUP are unable to proceed, funding assistance for these projects will be deferred and other projects from the PPL will be selected for funding based on procedures in the priority determination system, readiness to proceed, and availability of funds. Any qualified DWSRF applicant that has funding assistance deferred will be informed in writing by the Agency.

3. Short and Long Term Goals

As required by the Safe Drinking Water Act, the RI DWSRF Program has identified the following goals for the Drinking Water State Revolving Fund. The RICWFA and HEALTH will develop and administer all their respective proper rules, regulations and policies in order to implement the program in compliance with the Safe Drinking Water Act Amendments of 1996. The goals described below are grouped according to short-term and long-term objectives and are not listed in any particular order:

Long Term Goals

Goal #1: To manage and establish a Drinking Water State Revolving Fund Program (DWSRF) in compliance with the Safe Drinking Water Act Amendments (SDWA) of 1996 (Section 1452).

Goal #2: Manage the DWSRF to distribute funding to eligible public and privately organized water suppliers in a timely and efficient manner.

Goal #3: Endeavor to provide 15% of project funds for assistance to small systems on an annual basis.

Goal #4: Maintain the Capacity Development Program as per Section 1420 of the Act.

Goal #5: Maintain a Source Water Protection Program in accordance with Section 1453 of the Act.

Goal #6: Maintain a Disadvantaged Community loan program for those water suppliers meeting the Disadvantaged Community Program criteria.

Goal #7: Prepare a biennial report which lists the State's accomplishments for the previous two fiscal years; submit to EPA in a timely manner.

Goal #8: Develop various work plans for use of specific set-aside dollars.

Goal #9: Assure full compliance with Section 1452 of the Safe Drinking Water Act and all federal crosscutting issues as required by the 1996 SDWA amendments.

Goal #10: Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with the SDWA and maintaining the public health objectives of the SDWA.

Goal #11 Maintain the fiscal integrity of the DWSRF and comply with generally accepted governmental accounting principles to assure continuance of loan funds for future generations.

Goal #12 Coordinate DWSRF activities with other state and federal activities relating to public drinking water.

4. Program Issues and Initiatives

This IUP addresses the sources of monies expected to be available to the DWSRF through state fiscal year 2015. The uses of these monies are expected to begin in federal fiscal year 2015. The financing capability of this IUP is based upon the total federal award, (the FFY 2014 grant being applied for herein), less the amounts designated for the set-aside programs, plus the state match when due. Principal and interest repayments to the fund, plus interest and equity earnings will be returned to the fund and recycled. The use of recycled funds will be accounted for in the IUP for the

year in which they become part of a new series List or are used as a Federal Direct Loans.

The resources available are State Match repayments totaling \$ 14,632,407.49; De-Allocated List funds totaling \$2,667,736.87; Revenue fund Release (to De-allocated List; includes interest earnings) totaling \$3,732,474.70; and the balance of the 2013 capitalization grant totaling \$6,399,960 and State Match totaling \$1,684,200.

Projects on the 2013 PPL total \$72,451,900 and the total amount of projects to be funded this year totals \$20,000,000; therefore, the Agency estimates its funding gap to be \$52,451,900.

Currently the funding gap detailed in the Project Priority List is not an accurate measure and is showing an artificially inflated need of funding. One of the reasons why the funding gap is inaccurate, is that the Project Priority List became a wish list over the years, those projects that most likely will not use the DWSRF must be removed. To correct the inflated funding gap, in HEALTH's annual solicitation letter the water systems were required to remove any project that will not start construction more than 2 years out.

RICWFA and HEALTH are doing their best to achieve the 15% small system requirement. Currently, RICWFA and HEALTH are working on a list of small systems to resolicit to. It is anticipated that with the award of this new capitalization grant; principal forgiveness will be offered to the small systems as a way to get them into the program to borrow. HEALTH and RICWFA have jointly developed a new small system program to implement in FY 15.

The resources expected to be available in the DWSRF for use in Federal Fiscal Year 2015 for project loans are outlined in Table I below. These resources will be allocated to long term subsidized direct loans and/or leveraged loans to local governmental units and privately organized water suppliers in need of financing for identified capital projects. The State will require adherence to all aspects of the Davis Bacon Act to every project funded. The Rhode Island Department of Health's Office of Drinking Water Quality requires that EPA's Attachment 6 Wage Requirements Under FY 2012 Appropriations Act become part of the project specifications. Additionally EPA's memorandum dated November 16, 2012 Class Deviation Prevailing Wage Interview Interval Requirements is required to be located in the specifications as well as in the project files. Furthermore a copy of the Rhode Island Rules and Regulations Relating to Prevailing Wages (Revised March 26, 2012) is also included in the specifications.

Set-aside monies will be used according to the work plans prepared for each set-aside. Table I estimates the loan potential of Rhode Island's DWSRF based on the type of financing employed. With this application, the State will be utilizing \$353,800 of the Administrative Set-aside; \$884,500 of the State Program Management Set-aside; \$1,326,750 of the Local Assistance Set-aside and \$221,260 of the Technical Assistance Set-aside. Please note \$44,360 was banked authority from a previous capitalization grant. Set-aside programs are discussed in depth later in this document.

As of June 30, 2014, the Agency has made 58 drinking water loans totaling \$357,917,811.

TABLE I
Available Capital in the RI DWSRF Program

FFY	Grant Award	State Match	Set-Asides	UnBanked Set-Asides	Total Capital in the RI DWSRF
1997	\$12,558,800	\$2,511,760	(\$2,260,584)		\$12,809,976
1998	\$7,121,300	\$1,424,260	(\$817,074)		\$7,728,486
1999	\$7,463,800	\$1,492,760	(\$1,221,018)		\$7,735,542
2000	\$7,757,000	\$1,551,400	(\$1,204,679)	(\$982,305)	\$7,121,416
2001	\$7,789,100	\$1,557,820	(\$1,629,929)		\$7,716,991
2002	\$8,052,500	\$1,610,500	(\$2,496,275)	(\$821,133)	\$6,345,592
2003	\$8,004,100	\$1,600,820	(\$2,481,271)		\$7,123,649
2004	\$8,303,100	\$1,660,620	(\$2,573,961)		\$7,389,759
2005	\$8,285,500	\$1,657,100	(\$2,568,505)		\$7,374,095
2006	\$8,229,300	\$1,645,860	(\$2,551,083)		\$7,324,077
2007	\$8,229,000	\$1,645,800	(\$2,550,990)		\$7,323,810
2008	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2009	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2010	\$13,573,000	\$2,714,600	(\$2,171,680)		\$14,115,920
2011	\$9,418,000	\$1,883,600	(\$376,720)		\$10,924,880
2012	\$8,975,000	\$1,795,000			\$10,770,000
2013	\$8,421,000	\$1,684,200	(\$2,021,040)		\$8,084,160
2014	\$8,845,000	\$1,769,000	(\$2,741,950)	(\$44,360)	\$7,827,690
TOTAL	\$157,317,500	\$31,463,500	(\$34,717,279)	(\$1,847,798)	\$152,215,923

Available Capital*: \$152,215,923

Loans Executed: \$357,917,811

*Please note that in March 2013, the Agency transferred Administrative Set-aside funds from the FY 2006 - FY 2010 capitalization grants totaling \$1,654,567.43. These funds were transferred to the project funds in an effort to reduce ULO's. In FY 2014, the Agency unbanked \$266,738.76 leaving a balance of \$1,387,828.67.

5. Financial Plan and Structure for the DWSRF

The RICWFA will receive a federal capitalization award of \$8,845,000 for federal fiscal year 2014, the State Match for which, in the amount of \$1,769,000, will be deposited to the Fund upon payment of federal funds into the ACH. The RICWFA will provide through methods available to it, the appropriate State Matching funds for the federal fiscal year 2014 grant.

RICWFA on a yearly basis coordinates with HEALTH, borrowers and our financial advisory firm to evaluate the borrowing needs of the State. The state annually sends out letters to all its eligible water systems for new projects or updates to the projects already listed on the PPL. RICWFA and HEALTH meets with all the communities that respond that they would like to do their projects in the funding year. RICWFA has its financial advisor run a capacity model to see how much funding the Agency can provide in the

fiscal year and several years out. The Agency compares the need from the communities/water systems to the capacity of the Agency to see if the funding needs can be accomplished currently and in future years.

The Agency calculates how much Capitalization Grant Funds, State Match Funds, Borrower Repayments and how much the Agency will have to issue in Agency Revenue Bonds to meet the needs of its water systems/communities in the current year and future funding years. Once information is compiled, the Agency evaluates all resources available to it to meet the annual demand and commences with its financing schedule.

A. Loan Terms and Fees

Rhode Island's DWSRF program offers an economic benefit to its borrowers in the form of loan interest subsidization. The standard interest rate is $\frac{1}{4}$ off the borrowers' market rate of borrowing. Loans can be up to twenty years and can be structured to meet the repayment abilities unique to each borrower. Loan fees include a 1% loan origination fee and a .5% (one-half of one percent) service fee on the outstanding balance of the loan. Interest is collected twice annually and principal is collected once annually. The agency uses its fees to pay for salaries, benefits, healthcare, lease and all other operating expenses of the agency.

B. Additional Subsidization

Projects will be funded at 25% less than the borrowers rate with \$1,769,000 distributed amongst all the borrowers as principal forgiveness. The Agency is anticipating using \$500,000 of the \$1,769,000 to fund a small system loan program and the remainder of the monies will be distributed amongst all the borrowers. Principal forgiveness will be given to projects that are on the PPL list, have a certificate of approval, and are ready to proceed.

C. Investment Practices

The Agency also has investment practices for idle funds, RICWFA puts the funds in short term investments until the Agency can allocate those funds into the next pool of borrowing. RICWFA, along with its financial advisors closely monitor their investment options. Since the inception of the DWSRF Program, loan demand had been met using direct loans, i.e., loans made with a proportionate amount of federal dollars and state match dollars; however, in March 2004 the Agency created a leveraged DWSRF Program. The leveraging ratio for the program is 2.1 to 1. As a result, the Agency can maximize its loan capability by issuing revenue bonds to meet the funding need. The Agency will use the 100% State Match equivalent disbursement method, i.e., disburse 100% of the State Match before any of the Federal monies are disbursed to meet the proportionality requirement.

Table II
Proportionality Calculation

AWARD YEAR	AMOUNT
FFY 97 Federal Award	12,558,800.00
FFY 98 Federal Award	7,121,300.00
FFY 99 Federal Award	7,463,800.00
FFY 2000 Federal Award	7,757,000.00
FFY 2001 Federal Award	7,789,100.00
FFY 2002 Federal Award	8,052,500.00
FFY 2003 Federal Award	8,004,100.00
FFY 2004 Federal Award	8,303,100.00
FFY 2005 Federal Award	8,285,500.00
FFY 2006 Federal Award	8,229,300.00
FFY 2007 Federal Award	8,229,000.00
FFY 2008 Federal Award	8,146,000.00
FFY 2009 Federal Award	8,146,000.00
FFY 2010 Federal Award	13,573,000.00
FFY 2011 Federal Award	9,418,000.00
FFY 2012 Federal Award	8,975,000.00
FFY 2013 Federal Award	8,421,000.00
FFY 2014 Federal Award	8,845,000.00
Subtotal	157,317,500.00
Less FFY 97 Set-Asides	(2,260,584.00)
Less FFY 98 Set-Asides	(817,074.00)
Less FFY 99 Set-Asides	(1,221,018.00)
Less FFY2000 Set-Asides & Unbanked Amts	(2,186,984.00)
Less FFY2001 Set-Asides	(1,629,929.00)
Less FFY2002 Set-Asides & Unbanked Amts	(3,317,408.00)
Less FFY2003 Set-Asides	(2,481,271.00)
Less FFY2004 Set-Asides	(2,573,961.00)
Less FFY2005 Set-Asides	(2,568,505.00)
Less FFY2006 Set-Asides	(2,551,083.00)
Less FFY2007 Set-Asides	(2,550,990.00)
Less FFY2008 Set-Asides	(2,525,260.00)
Less FFY2009 Set-Asides	(2,525,260.00)
Less FFY2010 Set-Asides	(2,171,680.00)
Less FFY2011 Set-Asides	(376,720.00)
Less FFY2012 Set-Asides	0.00
Less FFY2013 Set-Asides	(2,021,040.00)
Less FFY2014 Set-Asides & Unbanked Amts	(2,786,310.00)
Federal Project Dollars Available	120,752,423.00
Total State Match Deposit	31,463,500.00
Total Capital Available for Project Funding	152,215,923.00

Method of Distributing Funds

The DWSRF will provide loans for up to 100 percent of eligible project and finance costs, consistent with Federal limitations on the use of DWSRF funds, with the State determining the eligibility based on State developed criteria. HEALTH has developed the project priority determination system and has prepared the Project Priority List for this fiscal year. The Agency will fund projects that appear on the approved PPL in the order in which they appear and/or readiness to proceed to the extent that the borrowers access the fund. Periodic mailings and notices of fund availability have been provided to all eligible borrowers. Currently the Agency and Health are structuring loans and project approvals for several projects around the State.

Rhode Island's DWSRF program offers an economic benefit to its borrowers in the form of loan interest subsidization. Loans can be up to twenty years and can be structured to meet the repayment abilities unique to each borrower. Loan fees include a 1% loan origination fee and a .5% (one-half of one percent) service fee on the outstanding balance of the loan. Interest is collected twice annually and principal is collected once annually.

The Rhode Island Clean Water Finance Agency and Department of Health will take several factors into consideration when determining which projects from the PPL will be funded by the DWSRF. These factors include:

- ◆ That project will provide a necessary health benefit in accordance with the Act;
- ◆ That the water supplier will make application to the SRF for financing
- ◆ That the water supplier has the financial, managerial and technical ability to apply for, receive and repay the DWSRF loan;
- ◆ That projects are ready to proceed at the time of financing availability.

7. Project Priority System

The State of Rhode Island will use a point system to rank the order in which eligible drinking water projects will receive funding from the DWSRF. Projects which address acute public health issues will receive highest priority. The next priority is given to projects that address chronic and long term public health issues. The ranking criteria also consider issues related to compliance with the SDWA, infrastructure upgrading and replacement, and the need for assistance based on affordability. The Ranking System and Scoring Criteria are included in the HEALTH's Rules and Regulations Pertaining to the DWSRF Program.

Each year, all eligible public drinking water systems will be asked to submit information on projects for which they are seeking DWSRF funding or private funding for the next funding year. The information will be reviewed by the Department of Health and then given a priority ranking score based on the ranking system as detailed in the Rules & Regulation pertaining to the DWSRF. The eligible projects and their respective information will then be listed in order of priority, highest to lowest, in a Project Priority

List. The project list will show the following information: name of system, PWS Id number, project description, population served, priority point score, anticipated start date, and project dollars to be funded.

8. Activities to be supported

The Department of Health administers the set-aside programs targeted towards assisting water supply systems in meeting the broad based goals of the program Table III below illustrates the dollars to be spent on set-aside programs this year. A discussion of each set-aside program follows:

**Table III
Allotment of Set-Aside Dollars**

FFY Grant	Administrative	Technical Assistance	State Program Mgmt	Local Assistance	Total Set-asides
1997	\$502,352	\$251,176	\$251,176	\$1,255,880	\$2,260,584
1998	\$284,852	\$0	\$532,222	\$0	\$817,074
1999	\$298,552	\$149,276	\$400,000	\$373,190	\$1,221,018
2000	\$310,280	\$297,566	\$1,579,138	\$0	\$2,186,984
2001	\$311,564	\$0	\$150,000	\$1,168,365	\$1,629,929
2002	\$322,100	\$316,832	\$1,470,601	\$1,207,875	\$3,317,408
2003	\$320,164	\$160,082	\$800,410	\$1,200,615	\$2,481,271
2004	\$332,124	\$166,062	\$830,310	\$1,245,465	\$2,573,961
2005	\$331,420	\$165,710	\$828,550	\$1,242,825	\$2,568,505
2006	\$329,172	\$164,586	\$822,930	\$1,234,395	\$2,551,083
2007	\$329,160	\$164,580	\$822,900	\$1,234,350	\$2,550,990
2008	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2009	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2010	\$542,920	\$271,460	\$1,357,300	\$0	\$2,171,680
2011	\$376,720	\$0	\$0	\$0	\$376,720
2012	\$0	\$0	\$0	\$0	\$0
2013	\$336,840	\$168,420	\$673,680	\$842,100	\$2,021,040
2014	\$353,800	\$221,260	\$884,500	\$1,326,750	\$2,786,310
TOTAL	\$5,933,700	\$2,822,850	\$13,032,917	\$14,775,610	\$36,565,077

A. Administration

The Department of Health and the Rhode Island Clean Water Finance Agency use the annual allotments of administrative set-aside to manage the Drinking Water State Revolving Fund. It is expected that the accumulation of annual administrative set-aside award will outlast the federal capitalization period, thus assuring adequate revenue for perpetual program administration. The Agency is the lead agency responsible for DWSRF fund administration while Health is the primacy agency responsible for regulatory and programmatic aspects of the DWSRF.

With this application, the Program intends to use four percent (4%) of the federal capitalization grant funds for HEALTH and RI Clean Water Finance Agency administrative costs to support the DWSRF program

B. Technical Assistance for Small Systems

To take full advantage of the funding available for technical assistance for water systems serving less than 10,000 persons, the State is utilizing 2% of the FFY 2014 Capitalization Grant for technical assistance. Health is also utilizing \$44,360 of banked authority.

The Technical Assistance set-aside monies are used for technical training to the operators of small public water systems specifically targeting operation and maintenance issues including water quality improvement and compliance with the Safe Drinking Water Act. The bulk of the technical assistance set-aside funding is used to fund contracts to provide outreach services, financial management and technical training and assistance.

A portion of the set-aside can be used to provide assistance to small community water systems in preparing Consumer Confidence Reports (CCRs).

C. State Program Management

A maximum of 10% of a Capitalization Grant can be allocated for State Program Management (SPM) activities if a one-to-one match of State money (but not the State match) is provided. Based on the ability to match federal funds, the State will be utilizing 10% of the capitalization grant.

Health uses the State Program Management set-aside to fund various activities which are mandated by the Safe Drinking Water Act including:

- ◆ to maintain the Capacity Development Program to ensure that water systems have the technical, managerial, and financial capacity to meet existing and future SDWA regulations;
- ◆ to fund a portion of the Operator Certification Program;
- ◆ to fund a portion of the Quality Control and Quality Assurance Officer within the Department of Health;
- ◆ And, to fund existing drinking water programs including a portion of other Public Water Surveillance Program activities.

The Safe Drinking Water Act Amendments of 1996 require that states meet specific mandates or risk losing a portion of their federal grant. Failure to implement a Capacity Development program and/or Operator Certification Program that are at least as stringent as the federal guidelines will result in a state losing up to 20% of their capitalization grant each year.

D. Local Assistance

The State will be utilizing 15% of the FFY 2014 Capitalization Grant for Local Assistance activities. Activities include public outreach and education to promote

source protection and support water system capacity, water system technical assistance, continued development of a GIS based groundwater quality database, guidance for contract operators and facility improvement planning. Services and products will be delivered through a combination of office staff and contracted services.

9. List of Projects to be Funded

The Rhode Island Department of Health, in preparation of its Fiscal Year 2014 PPL, has surveyed water suppliers around the State to gauge interest and readiness to proceed for projects needing DWSRF funding provided by the FFY 2014 Capitalization Grant. A list of potential borrowers, the projects to be funded, the project's ranking score, and estimated dollar amount of the project is provided as Appendix A to the IUP. The PPL was put on notice for public review on December 16, 2013 and can be found on the Department of Health's DWSRF webpage.

10. Green Infrastructure

The PPL was formatted in accordance with EPA requirements of GPR and the base DWSRF program. Although the State chose the option of opting out of the GPR for the FY 2012, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR. Additionally, the DWSRF regulations are in the process of being revised to reflect funding of only Categorical Green projects as detailed in the capitalization grant operating procedures for that given fiscal year.

Table IV
Project Carry-Over List

Borrower	Project	PPL Amount Requested	Amt Under Binding Commitment	Carryover Amount
Providence Water Supply Brd	Lead Service Replacemnt	\$100,000,000	\$60,000,000	\$40,000,000

11. Disadvantaged Community Program

As mandated in the Safe Drinking Water Act Amendments of 1996, the State of Rhode Island has developed criteria for awarding additional financial assistance to those water suppliers whose service area is determined to be economically disadvantaged. The additional financial assistance will be in the form of increased interest subsidization on DWSRF loans. The Agency and the Department of Health submitted the following criteria to all public and community water suppliers in the State and EPA for their review and input in August of 1998:

- ◆ To participate in the Disadvantaged Community Program, an eligible DWSRF borrower must be a community public water system;
- ◆ The water supplier must make application to the DOH for inclusion on the Project Priority List, and application to the Agency for a DWSRF loan in the current year;
- ◆ The water supplier must have a service area Median Household Income figure

(MHI) less than or equal to the State Non-Metropolitan MHI which is currently \$42,090(2000 census);

- ◆ A debt service schedule for a standard DWSRF loan (25% interest subsidy) will be calculated for the project loan being contemplated. The schedule will be added to the water suppliers existing rate structure and the resultant annual user fee, when compared to the service area MHI, must be greater than 0.999 percent;
- ◆ The Disadvantaged Community Program will be in effect to the extent monies are available;
- ◆ If found to be eligible for the Disadvantaged Community Program, additional interest subsidies will be calculated as per the following schedule:

User fees with DWSRF Debt Service/Service Area MHI	Subsidy
Less than or equal to 0.999 %	25% interest subsidy
1.000% to 1.249%	50% interest subsidy
1.250% to 1.499%	75% interest subsidy
Greater than or equal to 1.500%	0% interest rate

The Agency and Department of Health has forwarded the criteria for the disadvantaged community program to the water suppliers in the State who would be eligible to apply for the additional subsidization. The Disadvantaged Community Program as presented herein has been implemented and all eligible borrowers will be examined as to qualification for additional loan subsidies. At this time; no borrowers have applied for disadvantaged monies. The Agency will continue to examine all applicants to see if they qualify.

12. Very Small System Compliance Loan Fund

HEALTH and the RICWFA have developed a Very Small System Compliance Loan program. This program allows qualifying water systems to receive up to \$50,000 for infrastructure projects that are needed to achieve compliance with current or future standard of the Safe Drinking Water Act. A total of \$500,000 may be for the initial funding of the program. Other set-aside funds will be used to assist systems with costs related to managerial and financial capacity development, engineering assistance, and completion of a facility improvement plan as a mandatory condition of loan guarantee. The assistance to be provided under the Very Small System Infrastructure Loan Program is in the form of 100% principal forgiveness. Subsequent year needs, if available, will be addressed in future Intended Use Plans.

Eligible systems include public community and tax-exempt non-community, non-transient systems, serving populations of 500 or fewer consumers, and all public schools which are authorized under state law to collect, treat, store and distribute piped water for human consumption and which have the authority to enter into a DWSRF loan agreement. All public water systems that meet these basic criteria are potential candidates, eligible for project funding under the Very Small System Infrastructure Loan Program. These systems must be on the Project Priority List and to access funding must have a certificate of approval.

Project eligibility applications, will be reviewed in the order they are received by a project management team and funding will occur based upon readiness to proceed. Eligible projects include new source water well development, installation of treatment, or consolidation with another public water system which results in the dissolution of the applicant system. Qualified project applications received must have a project eligibility ranking of at least 27 points, and be projects needed to achieve compliance with current safe drinking water act standards to be considered eligible for this program.

This program takes advantage of both project funds and set-aside funds to help very small public water systems meet critical infrastructure needs and to provide better public health protection

13. Assurances and Specific Proposals

The Agency provides the necessary assurances and certifications for the DWSRF as part of the Operating Agreement between the Agency and the U.S. Environmental Protection Agency. Refer to Rhode Island's Operating Agreement for specific assurances regarding the State Environmental Review Process to be done by RI DEM; agreement to comply with federal cross-cutters; agreement to enter into binding commitments; and agreement to the timely expenditure of funds.

14. Schedule of Payments into the Automated Clearing House (ACH)

The Rhode Island DWSRF anticipates funding its Automated Clearing House account in a manner to be agreed upon by the EPA and the RI Clean Water Finance Agency to allow for maximum capitalization grant draws as may become necessary. The Rhode Island DWSRF program anticipates deposits into the ACH for the FFY14 capitalization grant as per the following schedule.

Table V
Anticipated Payments Into EPA/ ACH Payment system

Federal Fiscal Quarter	Payment Into ACH	Cumulative Ceiling
Oct - Dec 2014 (15-1)	\$0	\$0
Jan - Mar 2015 (15-2)	\$2,948,334	\$2,948,334
Apr - Jun 2015 (15-3)	\$2,948,333	\$5,896,667
Jul - Sep 2015 (15-4)	\$2,948,333	\$8,845,000

15. Schedule of Cash Draws from the ACH

The ultimate method of financing used (e.g. direct loans, leveraged loans or combination) and the anticipated start and completion dates of the projects to be funded will determine an accurate cash draw schedule from the ACH. The Agency and the Department of Health are cognizant of, and will abide by all cash draw rules as prescribed by EPA.

16. Schedule of Binding Commitments

In accordance with Section 1452(g)(3)(A) of the Safe Drinking Water Act Amendments of the 1996, the State of Rhode Island agrees to enter into binding commitments to provide financial assistance to eligible water suppliers. A binding commitment for the State of Rhode Island's DWSRF program is defined as that point in time when both a Certificate of Approval for the project has been issued by HEALTH and a loan agreement with the RICWFA is in place. The State of Rhode Island agrees to make binding commitments in an amount equal to or greater than the amount of each grant payment and State Match that is deposited into the DWSRF within one year after the grant payment.

17. Public Review and Comment

The IUP is subject to review and comment by the public prior to its incorporation into the State of Rhode Island's Capitalization Grant agreement with EPA. The IUP was put to public notice on June 24, 2014 in the Providence Journal and will simultaneously send to all interested parties by request.

The FY 2014 PPL was put on public notice on December 16, 2013 and sent to all interested parties (all DWSRF eligible water systems, local interest groups, and involved units of government). As utilities show interest in utilizing the DWSRF Program, the Department of Health revises the PPL yearly so that the utilities may access DWSRF funds.

18. Audits and Reporting

The RICWFA and HEALTH are committed to entering data into the EPA Drinking Water National Information Management System (NIMS) and Project Benefits Reporting (PBR) System to evaluate the benefits of the RI DWSRF Program. The State will continue to adhere to Federal Funding Accountability & Transparency Act (FFATA); MBE/WBE; Single Audit Act and CCR/SAM. The State will also adhere to the requirements that sub-reipients provide a DUNS number prior to receiving a sub-award.

Appendix A: "

Project Priority List

RI DWSRF PROJECT PRIORITY LIST FY 2014



1. Name of system	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		PWS NO.	Population Served	New Green Project Reserve	Brief Project Description	Scoring								Points	Date	Funds Requested
2																
3	Slater'sville Public Water System	1615614	3,000	✓			A	B	C	D	E	F	G			
4	Prudence Island	1592023	1,800				35	13	0	1	5	0	0	54	May-14	\$308,400.00
5	Slater'sville Public Supply	1615614	3,000				21	13	0	0	5	0	0	39	Jan-14	\$250,000.00
6	Bristol County Water Authority	1647515	52,500	✓			19	13	0	1	5	0	0	38	Aug-14	\$20,000.00
7	Slater'sville Public Supply	1615614	3,000				19	4	0	1	5	0	0	34	Sep-13	\$200,000.00
8	Slater'sville Public Supply	1615614	3,000				12	13	0	1	5	0	0	31	Sep-14	\$65,000.00
9	Pawtucket Water Supply Board	1592021	99,200	✓			12	10	0	1	5	0	0	31	Sep-14	\$500,000.00
10	Pawtucket Water Supply Board	1592021	99,200	✓			10	10	0	0	5	0	0	30	May-14	\$1,200,000.00
11	Pawtucket Water Supply Board	1592021	99,200	✓			10	10	0	0	5	0	0	30	May-14	\$4,000,000.00
12	Slater'sville Public Supply	1615614	3,000				10	10	0	0	5	0	0	30	May-13	\$8,645,000.00
13	Kingston Water District	1858421	3,700				10	13	0	1	5	0	0	29	Mar-14	\$500,000.00
14	Kingston Water District	1858421	3,700				21	2	0	1	5	0	0	29	Jun-14	\$500,000.00
15	Bristol County Water Authority	1647515	51,000				21	1	0	1	5	0	0	29	Jun-14	\$1,000,000.00
16	Prudence Island Water District	1592023	1,800				14	4	0	0	5	0	0	28	Jul-13	\$200,000.00
17	Bristol County Water Authority	1647515	52,500	✓	\$1,500,000		10	13	0	0	5	0	0	28	Jul-13	\$325,000.00
18	East Providence	1615610	48,688	✓			8	4	0	1	5	0	5	28	Dec-13	\$1,500,000.00
19	Portsmouth Water and Fire District	1592022	16,323		Business Case Required		19	2	0	1	5	0	0	27	Jan-14	\$598,000.00
20					Amount TBD		14	2	0	1	5	0	5	27	Jun-14	\$1,200,000.00
21	Bristol County Water Authority	1647515	52,500	✓			12	4	0	1	5	0	0	27	Jul-13	\$200,000.00
22	Woonsocket Water Department	1599518	46,000				12	4	0	1	5	0	0	27	Mar-14	\$1,210,500.00
23	Bristol County Water Authority	1647515	52,500	✓			10	4	0	1	5	0	5	25	Jul-13	\$6,000,000.00
24	Bristol County Water Authority	1647515	52,500	✓			10	4	0	1	5	0	5	25	Sep-13	\$200,000.00
25	Quonset Development Corporation	1592025	8,800	✓			10	2	0	1	5	0	5	23	Sep-16	\$9,000,000.00
26	Bristol County Water Authority	1647515	52,500				8	4	0	1	5	0	0	23	Jul-13	\$300,000.00
27	Prudence Island Water District	1592023	1,800	✓			4	13	0	0	5	0	0	22	Jul-13	\$750,000.00
28	Cumberland Water Department	1647530	21,900				12	4	0	0	5	0	0	21	Mar-14	\$750,000.00
29	Four Seasons Mobil Home Cooperative	2890001	48	✓			10	0	0	1	5	0	0	21	Apr-14	\$160,000.00
30	South Kingstown South Shore	1615623	3,811		100,000		8	2	0	1	5	0	5	21	Sep-13	\$100,000.00
31	Narragansett Water System -North End	1858429	4,397	✓			12	2	0	1	5	0	0	20	Sep-13	\$600,000.00
32	Narragansett Water System -North End	1858429	4,397	✓			12	2	0	1	5	0	0	20	Sep-13	\$850,000.00
33	Narragansett Water System -North End	1858429	4,397	✓			12	2	0	1	5	0	0	20	Sep-13	\$600,000.00
34	City of East Providence	1615610	48,688				12	2	0	1	5	0	0	20	Jan-14	\$4,650,000.00
35	Smithfield Water Supply Board	1615616	9,200	✓			12	2	0	0	5	0	0	19	Apr-14	\$620,000.00
36	Cumberland Water Department	1647530	21,900				10	4	0	0	5	0	0	19	Apr-14	\$600,000.00
37	Kingston Water District	1858421	3,700				10	1	0	1	5	0	0	18	May-15	\$2,500,000.00
38	City of East Providence	1615610	48,688	✓			10	2	0	1	5	0	0	18	Jan-15	\$9,000,000.00
39	City of East Providence	1615610	48,688				10	2	0	1	5	0	0	18	Apr-13	\$3,750,000.00
40	South Kingstown South Shore	1615623	3,811				10	2	0	0	5	0	0	17	Apr-14	\$3,700,000.00
41	City of Newport	1592010	43,809				10	2	0	0	5	0	0	17	Jan-15	\$1,700,000.00
42	City of Newport	1592010	43,809				10	2	0	0	5	0	0	17	Jun-15	\$3,700,000.00
43	Cumberland Water Department	1647530	21,900				8	4	0	0	5	0	0	17	Mar-14	\$500,000.00
44															SUM	\$72,451,900.00

Pumping Line

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Project Priority List
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