

State of Idaho
Drinking Water State Revolving Fund
State Fiscal Year 2012
Intended Use Plan

Table of Contents

I. Introduction	2
II. List of Projects	3
III. Program Goals	4
IV. Information on the Activities to be Supported	5
A. Allocation of Funds	5
B. Loan-Eligible Activities	6
C. Use of Set-Asides	6
V. Assurances and Specific Proposals	7
A. Environmental Reviews	7
B. Binding Commitments	7
C. Expeditious and Timely Expenditures	7
D. State Matching Funds	7
E. State Laws and Procedures	7
F. National Reporting Needs	8
VI. Criteria and Method for Distribution of Funds	8
VII. Additional Information Requirements	10
A. Public Review and Comment	10
B. Bypass Procedures	10
ATTACHMENT I. Drinking Water State Revolving Loan Fundable Listing	12
ATTACHMENT II. Priority List of Drinking Water Loan Projects	15
ATTACHMENT III. Payment Schedule	19
ATTACHMENT IV. Description of Disadvantaged Loans	20
ATTACHMENT V. Public Notification and Involvement Strategy	21
ATTACHMENT VI. Documentation of Matching Requirement for Program Management (10%) Set-Aside Public Notification and Involvement Strategy	22

IDAHO DRINKING WATER STATE REVOLVING FUND

INTENDED USE PLAN

APRIL 25, 2011 BOARD PROPOSAL

I. Introduction

On August 6, 1996, the Safe Drinking Water Act (SDWA) Amendments of 1996 (P.L.104-182) were signed into law. Section 1452 of this act authorized the administrator of the U.S. 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.

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

The State of Idaho, Department of Environmental Quality (DEQ) will adopt the following IUP for state fiscal year 2012 (July 1, 2011 through June 30, 2012). The source of federal funding identified in this IUP is the Federal fiscal year (FFY) 2010 and 2011 capitalization grants, and the American Recovery and Reinvestment Act grant. The DWSRF is administered by the DEQ Water Quality Division Loan Program, which also administers the Clean Water State Revolving Fund (CWSRF).

The IUP includes the following:

- a list of prospective loan projects, ranked in priority order, including size of systems, estimated project cost, and a project description
- 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

Cash and Investments	23,591,606
American Recovery and Reinvestment Act (remainder)	2,229,631
EPA Capitalization Grant FFY2010 (remainder)	6,731,537
State Match	1,951,170
EPA Capitalization Grant FFY2011	6,498,420
State Match	1,883,600

Loans Receivable:	
SFY 2011 (3/1/11-6/30/11)	1,383,878
SFY 2012	4,099,545
SFY 2013	4,099,545
SFY 2014 (7/1/13-12/31/13)	2,131,023
Interest on Cash/Investments:	
SFY 2011 (3/1/11-6/30/11)	170,387
SFY 2012	516,600
SFY 2013	531,000
SFY 2014 (7/1/13-12/31/13)	<u>274,300</u>
Total Resources:	\$56,092,242
Current Remaining Loan Obligations: (Loans in construction less disbursements)	(\$18,676,105)
Add back: 5% project shrinkage (Some projects will self-finance and reduce disbursement requests from the DWSRF)	<u>933,805</u>
Net Remaining Loan Obligations:	(17,742,300) _____
NET RESOURCES AVAILABLE TO LOAN	\$38,349,942

Key Assumptions:

Projects take an average of 28 months to construct and close from date of loan signing. New loan obligations cannot exceed NET RESOURCES AVAILABLE TO LOAN. Next projection will be made on July 1, 2011. No transfers will be made between the CWSRF and the DWSRF.

II. List of Projects

Attachments I and II is the SFY2012 Drinking Water Loan Fundable List and Project Priority List (Project Priority List). The final project priority list will be submitted for approval to the Board of Environmental Quality on April 25, 2011. Projects are arranged on the Project 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. Projects on the Project Priority List that are not on the Fundable List and are not funded by another agency may be re-rated and carried over to the next SFY Project Priority List.

III. Program Goals

DEQ's goals associated with the ARRA grant award of \$19,500,000 are to:

1. Ensure that ARRA-funded projects are compliant with ARRA-specific requirements such as Davis-Bacon wage provisions, the Green Project Reserve, use of American manufactured products, and the reporting requirements needed to highlight accountability. This oversight function will be performed on loan commitments that have already been entered into, but require a heightened level of on-going transparency.
2. Comply with ARRA reporting requirements so as to demonstrate transparent accountability and the creation or retention of jobs.

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

1. Protect public health of citizens served by drinking water systems by offering financial assistance to construct the most cost-effective drinking water facilities. Financial assistance includes below-market-rate loans, longer loan terms, and may include principal forgiveness for disadvantaged communities under limited circumstances.
2. Assist public water systems as they strive to achieve and maintain statewide compliance with federal and state drinking water standards. DEQ will provide information and technical assistance in the form of brochures and the quarterly Drinking Water Newsletter, which contains articles on such topics as the DWSRF, operator training and certification and ground water under the direct influence (GWUDI) monitoring and treatment technology.
3. Implement a capacity development strategy. The goal of the capacity development program is to ensure that our current capacity to deliver safe, reliable water is not only maintained but is expanded to meet future needs. This goal is facilitated by supporting public water systems in the maintenance and expansion of their technical, financial, and managerial capacity.
4. Implement a source water assessment and protection strategy. A source water assessment provides information on the potential threats to public drinking water sources. In Idaho 96% of the drinking water comes from ground water sources.
5. Manage the Idaho DWSRF to ensure its financial integrity, viability, and revolving nature in perpetuity.

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

1. Perform the tasks necessary to assure that all appropriate loan assistance requested is provided in a timely manner.
2. Maintain the on-line DWSRF loan handbook.

3. Comply with the requirement to direct 20% of the capitalization grant to sustainability efforts (i.e. Green Project Reserve) and ensure that 30% of the capitalization grant award is provided as a loan subsidy (i.e. principal forgiveness).
4. Implement a Tier II environmental process, as allowed for under CFR Title 40§35.3580(d).
5. Make necessary changes to the FFY2011 EPA capitalization grant application.

IV. Information on the Activities to be Supported

A. Allocation of Funds

The primary type of assistance to be provided by the DWSRF is expected to be in the form of low-interest loans for up to 100% of project costs. The rate of interest for the SFY2012 will be 1.75%, with the exception that portions of those projects being built to comply with requirements for additional treatment imposed by the SDWA and projects that consolidate two or more drinking water systems will be 1.50%. Some projects may have a blended interest rate between 1.75% and 1.50%. The current policy is stated in DEQ Policy Memorandum 11-01. Principal and interest repayments must begin no later than one year after the date the constructed facility initiates operations.

All loans, with the exception of disadvantaged loans, will be paid back over a period not to exceed 20 years. Disadvantaged loans may have repayment schedules of up to 30 years, lower interest rates, and principal forgiveness (see Attachment IV for an explanation of the Disadvantaged Loans program).

The Federal fiscal year appropriation requires that up to \$2,825,400 (30% of the capitalization grant) be distributed as a subsidy or principal forgiveness. Idaho will accomplish this by compliance with its Drinking Water Loan Program Rule requirements for disadvantaged communities (IDAPA 58.01.20.021) and will document the proposed funding terms on Attachment I, Fundable List. The proposed funding terms are contingent upon confirmation of the contractual amounts of the project, to ensure that the impact on the users is substantiated. If the contractual costs are less than the initial estimate, the subsidy will be reduced by the percent necessary to ensure Rule compliance. To the extent that entities on the Fundable List qualify as disadvantaged, they will share equally, on a project cost pro-rata basis in the \$2,825,400 that is available for principal forgiveness. If, at the end of SFY2012, there are unallocated principal forgiveness monies then those monies will be allocated to disadvantaged communities that have entered into loans with DEQ during SFY2012 and still have user rates that exceed 1.5% of median household income. The proposed funding terms use length of loan term and second interest rate to reduce the monthly user rate to 1.5% of median household income. After this step is taken, the remaining projects in disadvantaged communities will be provided principal forgiveness based on a percentage of the overall remaining project costs. Principal forgiveness is capped at the amount necessary to get to

1.5% of median household income. To the extent that growth is funded with subsidized loans, it will only be for reasonable, average growth.

B. Loan-Eligible Activities

DWSRF loans will provide for construction of water supply, treatment, storage, and distribution facilities. DWSRF loan assistance will be provided to local communities, counties, water districts, and non-profit associations.

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

C. Use of Set-Asides

The following set-asides are based a Federal grant award of \$9,418,000; if the grant is less than that estimate, the set-aside amounts will be proportionately reduced.

DEQ plans to reserve 4% or \$376,720 of the FFY2011 capitalization grant 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.

DEQ plans to reserve 2% or \$188,360 of the FFY2011 capitalization grant to provide technical assistance to small public water systems. 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 10% or \$941,800 of the FFY2011 capitalization grant to supplement the Drinking Water program. 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 10% or \$941,800 of the FFY2011 capitalization grant for wellhead (drinking water) protection. These funds will be utilized for conducting hydrologic, geotechnical, and contaminant susceptibility studies in support of the design and development of drinking water protection plans. In areas where surface or subsurface drinking water has been identified as contaminated or has been determined to have a high potential for future contamination, DEQ will conduct or oversee the implementation of projects designed to mitigate or reduce the potential for contamination of identified waters. In addition, DEQ will use a portion of this set-aside to provide technical assistance to public water supply systems and local government entities on all aspects of drinking water protection plan development and implementation. None of these funds will be spent until EPA approves a work plan that identifies tasks for which the funds will be used.

DEQ plans to reserve 5% or \$470,900 of the FFY2011 capitalization grant for development and implementation of the capacity development strategy. These monies will fund the several capacity development tasks as detailed in the approved workplan. None of these funds will be spent until EPA has approved a work plan that identifies tasks for which the funds will be used.

If the amount of funds reserved is not used in the first year, the excess will be banked and used for the same purposes in future years.

V. Assurances and Specific Proposals

A. Environmental Reviews

DEQ certifies that it will conduct environmental reviews of each project receiving assistance from the DWSRF. DEQ will follow EPA-approved, State Environmental Review Process (SERP) for conducting environmental reviews. The Tier II process will be finalized upon incorporation into Idaho Rules and acceptance by the EPA of the revised SERP.

The rules are outlined in Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account.

A more detailed procedural description can also be found in the Drinking Water Loan Account Handbook (Chapter 5), located at http://www.deq.idaho.gov/water/assist_business/pws/handbook/DW_Loan_Handbook_Dec-2-08.pdf.

B. Binding Commitments

DEQ will enter into binding commitments in an amount equal to each quarterly grant payment and proportional state match within one year of receipt of that payment. Payment dates are listed in Attachment III of this document.

C. Expeditious and Timely 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 the state fiscal year 2012, the Idaho DWSRF will make use of the existing Priority List to allocate and commit those additional funds.

D. State Matching Funds

DEQ agrees to deposit state monies into the DWSRF in an amount equal to twenty percent (20%) of the federal capitalization grant on or before the date by which the State of Idaho receives the cash draw from EPA. These funds will be transferred from the State of Idaho Water Pollution Control Account.

E. State Laws and Procedures

DEQ agrees to expend each quarterly grant payment in accordance with applicable state laws and procedures.

F. National Reporting Needs

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 for Single Audit Act compliance.

VI. Criteria and Method for Distribution of Funds

Idaho 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 the Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account.

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 Project Priority List are eligible for funding. DEQ will use a List of Fundable Projects and a companion comprehensive project Priority List (see Attachments I and II). DEQ will select projects for the List of Fundable Projects starting with the highest rated project on the comprehensive project Priority List that is ready to proceed and continue down that list as far as possible in order to use all of the available funds, also ensuring that the 20% Green Project Reserve goal is met.

DEQ reserves the right to fund lower priority projects over higher priority projects that are not ready or willing to proceed. In such instances, DEQ will comply with established bypass procedures. DEQ may add projects to the List of Fundable Projects 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.

The rating criteria used for the SFY2012 project Priority List are as follows:

	Points
PUBLIC HEALTH EMERGENCY	
❖ Waterborne outbreak, or contaminated source level exceeds unreasonable risk to health, or failed water source	100
PUBLIC HEALTH HAZARD	
❖ Evidence of waterborne illnesses	19

- ❖ Reports of waterborne illnesses 10
- ❖ High potential for waterborne illnesses 5

WATER QUALITY VIOLATION

Microbiological

- ❖ More than 6 primary maximum contaminant level (MCL) violations in preceding 12 months 15
- ❖ 4-6 MCL violations in past 12 months 12
- ❖ 2-3 MCL violations in past 12 months 9
- ❖ 1 MCL violation in past 12 months 6
- ❖ Positive coliform sample in last 12 months 3

Chemical

- ❖ MCL exceeded chronic chemical, radiological, or lead 15
- ❖ Action level exceeded for copper 11
- ❖ Violation of secondary drinking water standards 8
- ❖ Does not meet all applicable MCL goals 7
- ❖ Surface water treatment technique violations 15

GENERAL CONDITIONS OF EXISTING FACILITIES

- ❖ Necessary water treatment facilities either do not exist, are not functioning or do not meet Idaho drinking water rules 14
- ❖ Ground water sources are not developed or protected according to the rules 10
- ❖ Source capacity is not adequate to meet demand, and the system occasionally goes dry or has low pressure 10
- ❖ Storage, pumping, and distribution facilities have inadequate capacity to meet demand 10
- ❖ Facilities have inadequate capacity and cannot meet current demand 10
- ❖ Existing storage tanks leak excessively or are structurally flawed 5
- ❖ Pipe leak repair greater than 4 leaks per 100 connections per year 2

OVERALL URGENCY (Only 1 selected)

- ❖ System out of water; no water to flush toilets 10
- ❖ Water delivered cannot be rendered safe by boiling, or system delivers water that cannot be rendered safe by running to waste 10
- ❖ Water delivered can be rendered safe by boiling or by running to waste 5

❖ System occasionally out of water	5
❖ Under Consent or Administrative Order	30

INCENTIVES

❖ Managerial efforts to promote sustainability	10
❖ Construction technology efforts to promote sustainability	7
❖ Construction practices (e.g. use of brownfield site, use of recycled materials) to promote sustainability	3

Note: While there are up to 20 points that may be earned only 16 points may be awarded in the “Incentives” section by Rule.

AFFORDABILITY

❖ Project user charge exceeds affordable criteria	10
---	----

VII. Additional Information Requirements

A. Public Review and Comment

The IUP contents, including the Project Priority List, will be subjected to a thorough 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. Project Priority Lists were also disseminated to all state and federal agencies involved in infrastructure financing. Those agencies, including USDA-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 List of Fundable Projects and the project Priority List, will be posted on the DEQ Web site, and notices inviting comment will be published in the major newspapers of the state during the comment period.

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

Projects from the SFY2012 project Priority List for which DEQ intends to provide loan funding will be identified on the List of Fundable Projects on Attachment I.

Projects on the SFY2012 project Priority List and the List of Fundable Projects will be submitted for approval by the DEQ Board at the April 25, 2011 meeting.

B. Bypass Procedures

A project that does not or will not meet the project target date or a DEQ schedule that allows for timely utilization of loan funds may be bypassed, substituting in its place the next highest ranking project(s) that is ready to proceed, as identified and described in the Idaho Administrative Code IDAPA 58.01.20 - Rules for Administration of Drinking Water Loan Account. DEQ intends to use Project Priority List ranking as much as possible when preparing the IUP. However, the 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 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 project Priority List.

ATTACHMENT I. Drinking Water State Revolving Loan Fundable Listing

State of Idaho Drinking Water State Revolving Loan Fund
State Fiscal Year 2012

LIST OF FUNDABLE DRINKING WATER LOAN PROJECTS

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Est. Cost	Proposed Funding Terms*	Green Infrastructure Costs	Project Description
1	City of Ashton	132	IFRO	P	ID7220004	\$3,604,709	30 year repayment, 2.00% interest and \$418,820 subsidy	\$100,000	Enhanced treatment and a new well, along with distribution system improvements (Green Costs: booster pump with Variable Frequency Drive (VFD), new water meters, energy efficiency and water conservation, business case)
2	Clearwater Water District	111 L	RO	PNP	ID2250011	\$210,000	30 year repayment, 2.00% interest and \$24,399 subsidy	\$0	Upgrade treatment system
3	Riverbend Estates Water System	110 PRO		PNP	ID6390018	\$200,000	30 year repayment, 2.00% interest and \$23,237 subsidy	\$0	Treatment improvements for arsenic, implementation of cross-connection controls, back-up power and improvements to distribution
4	Mission Creek Water Association	109 CRO		PNP	ID111009	\$250,000	30 year repayment and 2.00% interest and \$29,047 subsidy	\$0	Install point of use devices to treat for high uranium
5	Konkolville Water Company	101 L	RO	PNP	ID2180019	\$667,000	30 year repayment, 2.00% interest and \$77,497 subsidy	\$0	Extend distribution piping to connect to Orofino
6	Edgemere Owners Association	90 CRO		P	ID1090253	\$25,000	20 year repayment and 1.75% interest	\$0	Install point of use devices to treat for high arsenic
7	Lynwood Estates Water Association	90 CRO		PNP	ID1280259	\$37,600	20 year repayment and 1.75% interest	\$0	Install point of use devices for high arsenic
8	Atlanta Water Association	87 BRO		P	ID4200005	\$125,000	20 year repayment and 1.75% interest	\$0	Association needs to improve its storage capacity
9	Morning View Water System	87 I	FRO	PNP	ID7260063	\$275,000	30 year repayment, 2.00% interest and \$31,952 subsidy	\$60,000	New pumps, metering for 25 homes, a new well and a back-up generator (Green Costs: water meters and VFD pump, energy and water efficiency, categorical)
10	Castle Mountain Creek	87	BRO	PNP	ID4080007	\$300,000	20 year repayment and 1.75% interest	\$0	Improve pressure zones, improve distribution line and treat source water

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Est. Cost	Proposed Funding Terms*	Green Infrastructure Costs	Project Description	
12	Oden Water Association	77	CRO	PNP	ID1090092	\$1,645,250	30 year repayment and 2.00% interest and \$191,157 subsidy	\$0	Refurbish membrane filtration system	
13	Fairview Water District	75	PRO	PNP	ID6210006	\$1,150,000	30 year repayment, 2.00% interest and \$133,615 subsidy	\$100,000	Address regulatory issues with source water protection, proper disinfection and pressure stability (Green Costs: source water protection)	
14	Hauser Lake Water Association	73	CRO	PNP	ID1050010	\$1,974,700	20 year repayment and 1.75% interest	\$100,000	Increase storage, new pumps are needed, new distribution lines are needed (Green Costs: premium motors and VFD, and will discontinue use of a booster station, energy efficiency, business case)	
15	Fernwood Water and Sewer District	72	CRO	P	ID1050011	\$1,310,000	30 year repayment and 2.00% interest and \$152,205 principal forgiveness	\$500,000	District has undersized distribution lines, miscellaneous facility upgrades needed to replace aging equipment and needs additional source capacity (Green Costs: turbine to create electricity for system, VFD pumps and motors, upgrade meters to reduce water consumption, water and energy conservation, business case)	
16	City of Orofino	67	LRO	P	ID2180024	\$8,490,375	30 year repayment, 0% interest and \$986,476 subsidy	\$3,000,000	New treatment plant, raw water pump station and intake system (Green Costs: replacement of backwash system with filtration to reduce water consumption, business case)	
18	City of Victor	61	IFRO	P	ID7410013	\$2,000,000	20 year repayment and 1.75% interest	\$100,000	Construction of a new pump house and distribution line replacement (Green Costs: VFD pump, energy efficiency, categorical)	
19	City of Dietrich	57	TFRO	P	ID5320008	\$1,400,000	30 year repayment, 2.00% interest and \$162,662 subsidy	\$100,000	Update metering, add new well, improve storage, install a SCADA system and extend distribution lines to under-served part of community (Green Costs: VFD and premium motors)	
20	County Court Mobile Home Park	56	L	RO	PNP	ID2250014	\$25,250	30 year repayment, 2.00% interest and \$2,934 subsidy	\$0	System needs new well house and improvements to treatment methodology
21	City of Idaho City	55	BRO	P	ID4080025	\$2,354,000	30 year repayment, 2.00% interest and \$273,505 subsidy	\$100,000	Improve treatment, new storage, add automated controls and distribution system is in need of replacement (Green Costs: VFD pumps, energy efficiency, categorical)	
22	Whiskey Jack Water System	53	CRO	PNP	ID1090085	\$315,000	30 year repayment and 2.00% interest and \$36,599 subsidy	\$0	Rebuild distribution piping and upgrade the treatment	
23	City of Rigby	52	IFRO	P	ID101639	\$6,000,000	20 year repayment and 1.75% interest	\$1,000,000	Installation of meters, a new storage tank, a booster station and a new well (Green Costs: meters).	
24	West Bonner Water and Sewer District	50	CRO	P	ID1090151	\$2,420,000	30 year repayment and 0.25% interest	\$150,000	New wells, pump house, storage, and distribution improvements (Green Costs: meters, water efficiency, categorical)	

ATTACHMENT I (CONT.)

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Est. Cost	Proposed Funding Terms*	Green Infrastructure Costs	Project Description
25	Meadows Park Water Users	50 BRO		PNP	ID30200111	\$361,686	30 year repayment, 2.00% interest and \$42,023 subsidy	\$0	Need a new well, storage, pumps, distribution lines and implementation of cross-connection controls
28	Hidden Estates Property Owner's Association	42 I	FRO	PNP	ID7220143	\$200,000	30 year repayment, 2.00% interest and \$23,237 subsidy	\$15,000	System needs a new well with a well flow meter and new pump (Green Costs: VFD pump and meter to monitor water usage, energy and water efficiency, categorical)
29	City of Mackay	36	IFRO	P	ID7190032	\$260,000	20 year repayment and 1.75% interest	\$0	Replace exposed distribution line
30	City of Filer	36	TFRO	P	ID5420021	\$690,000	20 year repayment and 1.75% interest	\$0	Storage, treatment and supply modifications to comply with Arsenic Rule
31	City of Parma	35	BRO	P	ID3140089	\$200,000	20 year repayment and 1.75% interest	\$0	City needs to address pumping equipment and distribution line deficiencies.
32	City of Richfield	35	TFRO	P	ID5320005	\$1,459,372	30 year repayment, 2.00% interest and \$169,560 subsidy	\$0	Improve supply, storage, add booster station and make distribution modifications
33	Evergreen Terrace Water Association	30 CRO		PNP	ID1050010	\$400,000	30 year repayment and 2.00% interest and \$46,475 principal forgiveness	\$0	Community needs to drill a new well, repair its reservoir and improve treatment
GRAND TOTAL =====>						<u>\$38,349,942</u>			

ATTACHMENT II.

Priority List of Drinking Water Loan Projects

STATE OF IDAHO, DRINKING WATER STATE REVOLVING LOAN FUND
 FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2012
 PRIORITY LIST OF DRINKING WATER LOAN PROJECTS

Rank	Project	Rating Points	Reg. Office	System Type	System Number	Est. Cost	Project Description
1	City of Ashton	132	IFRO	P	ID7220004	\$3,604,709	Enhanced treatment and a new well, along with distribution system improvements (Green Costs: booster pump with Variable Frequency Drive (VFD), new water meters, energy efficiency and water conservation, business case)
2	Clearwater Water District	111	LRO	PNP	ID2250011	\$210,000	Upgrade treatment system
3	Riverbend Estates Water System	110	PRO	PNP	ID6390018	\$200,000	Treatment improvements for arsenic, implementation of cross-connection controls, back-up power and improvements to distribution
4	Mission Creek Water Association	109	CRO	PNP	ID111009	\$250,000	Install point of use devices to treat for high uranium
5	Konkolville Water Company	101	LRO	PNP	ID2180019	\$667,000	Extend distribution piping to connect to Orofino
6	Edgemere Owners Association	90	CRO	P	ID1090253	\$25,000	Install point of use devices to treat for high arsenic
7	Lynwood Estates Water Association	90	CRO	PNP	ID1280259	\$37,600	Install point of use devices
8	Atlanta Water Association	87	BRO	P	ID4200005	\$125,000	Association needs to improve its storage capacity

ATTACHMENT II (CONT.)

9	Morning View Water System	87	IFRO	PNP	ID7260063	\$275,000	New pumps, metering for 25 homes, a new well and a back-up generator (Green Costs: water meters and VFD pump, energy and water efficiency, categorical)
10	Castle Mountain Creek	87	BRO	PNP	ID4080007	\$300,000	Improve pressure zones, improve distribution line and treat source water
11	North Kootenai Water District – Chilco Area	79	CRO	PNP	ID1280048	\$617,688	Extend water service to property owners with wells that are contaminated with coliform bacteria
12	Oden Water Association	77	CRO	PNP	ID1090092	\$1,645,250	Refurbish membrane filtration system
13	Fairview Water District	75	PRO	PNP	ID6210006	\$1,150,000	Address regulatory issues with source water protection, proper disinfection and pressure stability (Green Costs: source water protection)
14	Hauser Lake Water Association 73		CRO	PNP	ID1050010	\$1,974,700	Increase storage, new pumps are needed, new distribution lines are needed (Green Costs: premium motors and VFD, and will discontinue use of a booster station, energy efficiency, business case)
15	Fernwood Water and Sewer District	72	CRO	P	ID1050011	\$1,310,000	District has undersized distribution lines, miscellaneous facility upgrades needed to replace aging equipment and needs additional source capacity (Green Costs: turbine to create electricity for system, VFD pumps and motors, upgrade meters to reduce water consumption, water and energy conservation, business case)
16	City of Orofino	67	LRO	P	ID2180024	\$8,490,375	New treatment plant, raw water pump station and intake system (Green Costs: replacement of backwash system with filtration to reduce water consumption, business case)
17	North Kootenai Water and Sewer District - Rimrock Annexation	62	CRO	P	ID1280009	\$1,600,000	Extension of service to currently unserved subdivision
18	City of Victor	61	IFRO	P	ID7410013	\$2,000,000	Construction of a new pump house and distribution line replacement (Green Costs: VFD pump, energy efficiency, categorical)
19	City of Dietrich	57	TFRO	P	ID5320008	\$1,400,000	Update metering, add new well, improve storage, install a SCADA system and extend distribution lines to under-served part of community (Green Costs: VFD and premium motors)
20	County Court Mobile Home Park	56	LRO	PNP	ID2250014	\$25,250	System needs new well house and improvements to treatment methodology

ATTACHMENT II (CONT.)

21	City of Idaho City	55	BRO	P	ID4080025	\$2,354,000	Improve treatment, new storage, add automated controls and distribution system is in need of replacement (Green Costs: VFD pumps, energy efficiency, categorical)
22	Whiskey Jack Water System	53	CRO	PNP	ID1090085	\$315,000	Rebuild distribution piping and upgrade the treatment
23	City of Rigby	52	IFRO	P	ID101639	\$6,000,000	Installation of meters, a new storage tank, a booster station and a new well (Green Costs: meters).
24	West Bonner Water and Sewer District	50 CRO		P	ID1090151	\$2,420,000	New wells, pump house, storage, and distribution improvements (Green Costs: meters, water efficiency, categorical)
25	Meadows Park Water Users	50	BRO	PNP	ID30200111	\$361,686	Need a new well, storage, pumps, distribution lines and implementation of cross-connection controls
26	City of Donnelly	49	BRO	P	ID4430019	\$2,400,000	Need a new well, booster pump station, pump building, standby generator, distribution lines and storage (Green Costs: green roof, VFD pumps, solar panels, and leak detection, energy/water efficiency, environmentally innovative, categorical)
27	City of Huetter	49	CRO	P	ID1280100	\$1,153,155	Replace distribution system, new well and storage and install water meters (Green Costs: water meters for 70 connections, water efficiency, categorical)
28	Hidden Estates Property Owner's Association	42 I	FRO	PNP	ID7220143	\$200,000	System needs a new well with a well flow meter and new pump (Green Costs: VFD pump and meter to monitor water usage, energy and water efficiency, categorical)
29	City of Mackay	36	IFRO	P	ID7190032	\$260,000	Replace exposed distribution line
30	City of Filer	36	TFRO	P	ID5420021	\$690,000	Storage, treatment and supply modifications to comply with Arsenic Rule
31	City of Parma	35	BRO	P	ID3140089	\$200,000	City needs to address pumping equipment and distribution line deficiencies.

ATTACHMENT II (CONT.)

32	City of Richfield	35	TFRO	P	ID5320005	\$5,306,000	Improve supply, storage, add booster station and make distribution modifications
33	Evergreen Terrace Water Association	30	CRO	PNP	ID1050010	\$400,000	Community needs to drill a new well, repair its reservoir and improve treatment
34	City of Gooding	26	TFRO	P	ID5240009	\$7,060,000	The City needs an improved supply and distribution system
35	City of Moscow	24	LRO	P	ID2290023	\$2,600,000	Addition of new well, improvements to water main (Green Costs: VFD pumps, energy efficiency, categorical)
36	City of Mountain Home	23	BRO	P	ID4200032	\$3,900,000	City needs new well, new reservoir and distribution pipe improvements (Green Costs: VFD pumps, energy efficiency, categorical)
37	City of Shelley	22	PRO	P	ID6060071	\$1,600,000	Needs new storage tank
38	City of St Maries	21	CRO	P	ID1050024	\$2,140,000	Installation of water meters (Green Costs: meters, water efficiency, categorical)
39	Star Sewer and Water District	14	BRO	P	ID4010220	\$2,446,900	The District needs additional storage and a transmission line

\$67,714,313

Warning: Use of this list as a mailing list or as a telephone number list is prohibited by Idaho Code Section 9-348 and is punishable by a civil penalty of up to \$1,000.

ATTACHMENT III. FFY 2011 Payment Schedule

IDAHO DRINKING WATER STATE REVOLVING LOAN FUND

Payment #	Quarter Ending	Project Fund Payments	Set-Aside Payments	Total Payments
1	September 2011	\$3,249,210	\$729,895	\$3,979,105
2	December 2011	3,249,210	729,895	3,979,105
3	March 2012	0	729,895	729,895
4	June 2012	0	729,895	729,895
Total		<u>\$6,498,420</u>	<u>\$2,919,580</u>	<u>\$9,418,000</u>

A payment is defined as an increase to the ceiling in the Automated Clearinghouse Payment System. Commitments cannot be made until the ceiling on the letter of credit is adequate to cover that commitment.

Each payment is for the beginning of each quarter with planned commitments to be made through the end of that quarter. Each payment must be committed within one year of the payment date, in accordance with the Safe Drinking Water Act of 1996.

ATTACHMENT IV. Description of Disadvantaged Loans

IDAHO DRINKING WATER REVOLVING LOAN FUND

In conjunction with the standard loans, the Department shall award loans to applicants deemed disadvantaged using the following criteria, to the extent required by the most recent federal capitalization grant. In order to qualify for a disadvantaged loan, a loan applicant must have an annual cost of drinking water service for residential customers which exceeds 1.5% of the median household income. The annual cost includes all operating, maintenance, replacement and debt service costs, both for the existing system and upgrades being financed with state revolving funds. If the applicant's service area is not within the boundaries of a municipality, the applicant may use the census data for the county in which it is located, or may use a Department approved income survey (which details the community's median household income).

First the loan interest rate will be reduced from the rate established by the Director for standard loans to a rate that results in an annual charge equal to 1.5% of median household income. The interest rate reduction may result in a loan interest rate of as low as 0%. If at a 0% and a 20 year repayment loan terms and conditions results in the annual user charge exceeding 1.5% of median household income, then the length of the loan repayment will be extended in increments of years up to a maximum of 30 years until the annual user charges equals 1.5% of median household income. If at 0% interest and a 30-year repayment, the annual user charge still exceeds 1.5% of median household income, the principal which causes the user charge to exceed 1.5% may be reduced. Before an applicant's principal will be reduced, the applicant must have been either declined assistance or only received partial assistance from all other state and federal agencies offering grants. The principal reduction cannot exceed 50% of the cost of an individual project. The amount of principal reduction for all projects will be capped at 30% of the capitalization grant or \$2,825,400 (contingent upon getting a FFY capitalization grant of \$9,418,000). The principal reduction will be based on the pool of qualifying disadvantaged communities (projects) receiving an equal share in amount available for principal reduction. Principal forgiveness is for disadvantaged communities and is to be spread out amongst those communities and may not be provided in excess to lower a community status to below 1.5% of the median household income.

ATTACHMENT V. Public Notification and Involvement Strategy

FOR SFY2012 WASTEWATER AND DRINKING WATER PRIORITY LISTS

The public will be involved in the SFY2012 priority list development at several points in the process. Involvement for the drinking water and water pollution control lists are the same: needs were solicited directly from the systems through a letter of interest mailed out by the DEQ early in the priority list process. Information on the completed letter of interest forms was used in part by the State and Regional office staff in preparing draft lists. A copy of the letter of interest form is available on the Department's website. We are finding that combining information obtained directly from eligible entities with that provided by our engineering staff results in the most accurate listing of infrastructure needs.

Notification that all four FY2012 priority lists are available for public review was given in Idaho's six major (regional) newspapers for four weeks. Notices will be published three times in each of the newspapers. Copies of proofs of publication will be included as attachments to the final IUP.

Notification of availability of the lists will be placed on DEQ's web site from March 14- April 11, 2011.

Approval packages related to the four lists will be sent to the Board of Environmental Quality prior to their meeting on April 25, 2011. Copies of the Issue Analyses for the DWSRF loan lists and the Board agenda will be included as attachments upon Board action. DEQ staff will make presentations at the Board meeting on April 25, 2011 and answer questions about the lists. The Board will consider for approval all lists on April 25, 2011.

ATTACHMENT VI. Documentation of Matching Requirement for Program Management (10%) Set-Aside Public Notification and Involvement Strategy

IDAHO DRINKING WATER REVOLVING LOAN FUND

The following table illustrates how DEQ obtains its required match for the Safe Drinking Water Act (Act) Section 1452(g) set aside. For the Program Management Set-Aside grant DEQ must provide a 50% match above and beyond the 20% match that is required for the annual DWSRF capitalization grant. In order to meet this match:

- ❖ DEQ applies any over-match that it supplied for the previous year’s Public Water System Supervision (PWSS) grant. This computation is illustrated in lines 1 through 3.
- ❖ As allowed in the Safe Drinking Water Act the initial state match provided in 1993 serves as a perennial credit when computing the state’s effort at meeting the PWSS 50% match requirement. This is illustrated on line #4.
- ❖ The final line in the illustration (line #5) is the additive of lines 3 and 4, and represents the match that the state can provide against the upcoming year’s 50% requirement (which is estimated to be as high as \$1,457,300).
- ❖ A limiting factor in how much the state can provide as match results from the requirement that individually lines 3 and 4 can only provide 50% of the required match amount, so that lower of the two figures is mirrored in the other figure (i.e. line 3 is less than line 4 could be and so line 4 is reduced to equal line 3).

1.	Federal fiscal year 2010 State funds applied towards Public Water System Supervision (PWSS) program	\$1,211,276
2.	Required match for PWSS grant	<u>(414,333)</u>
3.	Over-match available from Federal fiscal year 2011 funds	\$796,943
4.	Amount available from the State fiscal year 1993 credit (can claim up to \$941,800 but may not exceed the amount on line 3)	<u>\$796,943</u>
5.	State match available for the 1452(g) set-asides	\$1,593,886

50% (\$470,900) will come from the Federal fiscal year 2010 over-match and 50% (\$470,900) will come from the State fiscal year 1993 credit. Expenditure of Federal fiscal year 2010 over-match will be documented in the Financial Status Reports submitted for the PWSS program.