

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
DRINKING WATER STATE REVOLVING FUND
INTENDED USE PLAN
FEDERAL FISCAL YEARS 2013 & 2014 CAPITALIZATION GRANTS
INCLUDING
STATE FISCAL YEARS 2014 & 2015 PROJECT PRIORITY LISTS

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I. EXECUTIVE SUMMARY

The Connecticut Department of Public Health (DPH) Intended Use Plan (IUP) covers the period of the State Fiscal Years (SFY) 2014 and 2015 (July 1, 2013 to June 30, 2015) and is based on the use of anticipated Federal Fiscal Years (FFY) 2013 and 2014 capitalization grant monies, a state match of 20% of the FFY 2013 and 2014 capitalization grant awards, and other sources of funds including repayments. The IUP identifies the intended use of federal and state funds for public drinking water infrastructure projects and set-aside activities under Connecticut's Drinking Water State Revolving Fund (DWSRF) Program in SFY 2014 and 2015.

On March 26, 2013, federal Public Law 113-6 was enacted, which includes the FFY 2013 DWSRF appropriation. This law requires EPA to carry forward the conditions applicable to the FFY 2012 DWSRF appropriated funds (Public Law 112-74). On January 17, 2014, federal Public Law 113-76 was enacted, which included the FFY2014 DWSRF appropriation. This law carried forward the conditions applicable to the FFY 2013 DWSRF appropriated funds and added a new federal "Use of American Iron and Steel" requirement in Section 436 which requires DWSRF assistance recipients to use iron and steel products produced in the United States for the construction, alteration, maintenance or repair of a public water system or treatment works if the project is funded through an assistance agreement executed beginning January 17, 2014 through the end of FFY 2014 (September 30, 2014).

In mid-2011 the DPH initiated a section-wide strategy to prioritize increasing the pace of the DWSRF program and creating a pipeline of projects for future funding years. Within this strategy, the DPH moved from a one year Project Priority List (PPL) to a two year PPL. This change allowed DPH to fund projects that were ready to proceed in the first year while getting other projects ready for funding in the second year. The two year PPL also reduced the DPH's administrative burdens associated with an annual project solicitation period, PPL preparation, and public hearing process. In addition, changes were made to the Priority Ranking System used to establish the PPLs.

During the fall of 2011, Connecticut experienced two separate significant storm events that left over 200 small public water systems (PWSs) without power to operate their water systems for several days. As a result of these storms and the effect to public health, the DPH announced a new DWSRF Small System Emergency Power Generator Program for the SFY 2012-2013 solicitation period. Due to the demand and success of the program, it is being continued during this funding period and has been expanded to include all PWSs that are eligible for DWSRF financial assistance.

On November 20, 2012, the DPH solicited for drinking water infrastructure projects to be funded by the DWSRF in SFY 2014 and 2015. The DPH received 129 project eligibility applications from PWSs during the solicitation period for approximately \$164 million. This amount includes 60 emergency power generator projects for approximately \$3.5 million. The DPH expects that there will be approximately \$133.6 million dollars available from the DWSRF for drinking water infrastructure projects for these new projects. Projects that are currently anticipated to be funded during this time include all projects that are being carried forward from previous IUPs, projects appearing above the funding line on both the SFY 2014 PPL and SFY 2015 PPL. All eligible small system projects are anticipated to be funded.

The DPH intends to utilize up to the maximum 30% of the FFY 2013 and FFY2014 capitalization grants to provide partial subsidization to certain qualifying projects, including all fundable Emergency Power Generator Program and small system projects. Certain large system projects that meet the criteria for "affordability" are also eligible for partial subsidization if their project is consistent with an on-going sustainable infrastructure plan. Subsidization will be provided in the form of loan principal forgiveness.

The DPH held its Public Hearing on September 18, 2013. The Public Hearing allowed interested persons to provide oral and written testimony on this IUP and PPLs; written comments were accepted following the hearing until September 20, 2013. An Open Forum was held immediately after the hearing to answer questions and explain the DWSRF program requirements. Following the public hearing, all testimony and

comments were reviewed and considered by the DPH and the Final IUP, Final PPLs, and hearing report were published. On [April 9, 2014](#) published minor revisions to the Final PPLs on the DPH's DWSRF website. These revisions underwent a 30 day public comment period during which time no comments were received by DPH. Following the public comment period these minor revisions were finalized and incorporated into the Final PPLs.

II. INTRODUCTION

In 1996, Congress passed amendments to the Safe Drinking Water Act (SDWA) establishing the Drinking Water State Revolving Fund (DWSRF). Section 1452 of the SDWA authorizes the Administrator of the EPA to award capitalization grants to states. Each state annually receives a minimum of 1% of the funds available for allotment to all of the states. From the program's inception to the present, Connecticut's annual allocation has been 1% of the national allotment. Due to increased need from Connecticut's public water systems for infrastructure improvement projects and additional DPH staff working on the 2011 Drinking Water Infrastructure Needs Survey, Connecticut will get an increase from the annual allocation. Starting with the FFY 2014 DWSRF Capitalization Grant and ending with FFY 2017 grant, Connecticut's allocation will increase from 1% to 1.01%. The 2015 Needs Survey will determine the allocation after FFY 2017.

The DPH is the designated agency that is authorized to enter into capitalization grant agreements with EPA, accept capitalization grants, and otherwise manage the DWSRF. Each year the DPH is required to submit a capitalization grant application to EPA to receive its capitalization award. The SDWA requires that each State annually prepare an IUP to describe how the State intends to use DWSRF program funds to support the overall goals of the DWSRF program. Assistance provided to a PWS from the DWSRF program may be used only for expenditures that will facilitate compliance with national primary drinking water regulations or otherwise significantly further the public health protection objectives of the SDWA.

On March 26, 2013, the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6) was enacted, which included the FFY 2013 DWSRF appropriation. The DPH received an allotment in the amount of \$8,421,000 for FFY 2013. On January 17, 2014 the Consolidated Appropriations Act, 2014 (Public Law 113-76) was enacted, which included the FFY2014 DWSRF appropriation. The DPH will receive an allotment in the amount of \$8,962,000 for FFY 2014.

The IUP discusses how DPH intends to utilize its allotment of FFY 2013 and FFY 2014 funds. The IUP covers the drinking water infrastructure projects that are anticipated to be financed under the DWSRF in SFYs 2014 (July 1, 2013 to June 30, 2014) and 2015 (July 1, 2014 to June 30, 2015) using the FFY 2013 and 2014 capitalization grants, state legislative funding authorizations during these periods, and unobligated project funds carried forward from previous IUPs. The available funding includes unliquidated obligations (ULO) from previous federal capitalization grants. Furthermore, the IUP includes a description of how the DPH intends to utilize capitalization grant set-aside funds for other public drinking water related activities. The anticipated funding for drinking water infrastructure projects and set-aside activities in SFYs 2014 and 2015 is shown in Attachment A. The IUP details the short-term and long-term goals that the DPH has developed to support the overall objectives of the DWSRF program of ensuring public health protections, complying with the SDWA, ensuring affordable drinking water, and maintaining the long-term financial health of the DWSRF. The IUP also provides the financial status of the DWSRF. The IUP describes the criteria and methods that DPH will use to distribute the funds, including the ranking criteria under which the eligible projects were ranked and placed on the SFY 2014 and 2015 PPLs and the procedures that allow DPH to bypass projects on the fundable list, as well as the final SFY 2014 and 2015 PPLs.

Connecticut has legislation enabling it to establish and operate a DWSRF program and to apply for and receive federal funds, contained in Connecticut General Statutes (CGS) Sections 22a-475 through 22a-483, inclusive. As the administrator of the DWSRF program for the State of Connecticut, the DPH coordinates the activities of two different state agencies, which are the Office of the State Treasurer

(OTT), the Department of Energy and Environmental Protection (DEEP), and within DEEP, the Public Utilities Regulatory Authority (PURA), with the charge of implementing certain aspects of and overseeing the DWSRF program. The DPH, DEEP, OTT, and PURA entered into a DWSRF Interagency Memorandum of Understanding (DWSRF Interagency MOU), which details the roles and responsibilities of each agency. The DWSRF Interagency MOU is an attachment to the Operating Agreement (OA) between Connecticut and the EPA. The OA was filed with the EPA as part of the DPH's 1997 Capitalization Grant application and established the basic framework and procedures of the DWSRF program that are not expected to change annually.

In October 2009, the DPH transitioned many of the DWSRF administrative and financial services previously performed by the DEEP Clean Water Fund (CWF) to the DPH's Fiscal Office and Grants and Contracts Management Section. The DPH proposed several statute changes to reflect this transition and reduce the DEEP's responsibilities with regards to DWSRF loan agreements. These changes are reflected in Connecticut Public Act 10-117 and became effective on October 1, 2010. A new DWSRF Interagency MOU is necessary to reflect these statutory changes and is currently being reviewed and revised. The DWSRF program continues to operate within the original DWSRF Interagency MOU until the new MOU is in place. The following paragraphs provide a brief overview of Connecticut agency participation in the DWSRF program.

The DPH is responsible for programmatic and fiscal administration of DWSRF projects, programmatic and fiscal administration of set-aside projects and accounts, and administration of planning, design and construction projects. The DPH provides the bi-annual capital budget request and State Bond Commission authorization requests for DWSRF projects to the DEEP for processing under the CWF.

The DEEP is responsible for administration of the CWF, of which the DWSRF is a sub-account. The DEEP processes the DPH's bi-annual DWSRF capital budget request and processes DWSRF State Bond Commission authorization requests for projects as part of the CWF. The PURA is responsible for programmatic and fiscal input for those privately-owned water companies that it regulates.

The OTT is responsible for the fiscal administration of all DWSRF accounts, oversight of loans, oversight of the bonding process, and administration of a DWSRF financial plan.

III. SOURCES AND USES OF FUNDS

A. RATIONALE FOR DETERMINING AMOUNTS OF CAPITALIZATION GRANT INTENDED FOR SET-ASIDE FUNDS

Section 1452 of the SDWA authorizes States to use a portion of the capitalization grant to support various drinking water programs (set-asides funds). The DPH uses set-aside funds to promote and implement safe drinking water efforts integral to Connecticut's multiple barrier approach to protection of public drinking water supplies and public health. Additionally, the DPH uses these funds to foster greater appreciation of drinking water among the general public and the regulated community. Both of these intended uses address proactive and preventive measures endorsed by Congress in its authorization of the SDWA.

Subsection B below provides an overview of how the DPH will use the funds allocated for each set-aside. Prior to requesting disbursement of these funds, the DPH will submit work plans to EPA Region 1 as part of the FFY 2013 capitalization grant application, which will provide specific details for each set-aside fund request. Under the FFY 2011 capitalization grant application, the DPH reserved authority to take the 2% Small System Technical Assistance set-aside from a future grant. The DPH is utilizing this reserved authority with the FFY 2013 capitalization grant application.

Refer to Attachment A for monetary amounts of sources and uses of DWSRF funds for SFY 2014 and 2015 set-aside programs. For a complete financial analysis of the DWSRF, please refer to the [DWSRF Annual Reports](#) produced by the OTT.

B. DESCRIPTION OF SET-ASIDE ACTIVITIES AND PERCENTAGE OF FUNDS

1. DWSRF Administrative Funds

Maximum Percentage Allowed: 4% of the Capitalization Grant
Taking from FFY 2013 Grant: 4% (\$336,840)
Taking from FFY 2014 Grant: 4% (\$358,480)

The DPH intends to use funds in the Administrative set-aside to support existing staff at DPH and OTT dedicated to administrative and fiscal management of the DWSRF accounts, oversight and tracking of the DPHs January 2013 Cash Management Plan, as well as providing assistance to borrowers in preparing their loan applications and satisfying program requirements. In addition, the DPH intends to utilize funds from this set-aside for the development of a state specific project financing, loan and accounting management system for the DWSRF program, including:

- Improved system for the management of project and financing information
- Identification and tracking of all program requirements for EPA, State and shareholders reports

2. State Program Management

Maximum Percentage Allowed: 10% of the Capitalization Grant
Taking from FFY 2013 Grant: 10% (\$842,100)
Taking from FFY 2014 Grant: 10% (\$896,200)

Funding under this set-aside will be used primarily to support and administer the Public Water System Supervision (PWSS) program, which include administering and providing technical assistance to PWSs in Connecticut. Staff supported by this fund also perform the following:

- Coordinate DWS grant administration/lead interaction with EPA for grant administration, applications and reporting
- Prepare guidance documents, work plans and long-term strategies for DWSRF program management and EPA required program management reports (i.e. QAPP, PPA),
- Prepare contracts related to technical assistance to PWSs to assist the DWS in capacity development efforts
- Provide direct technical assistance to PWSs regarding the required reporting of water quality and inventory/facility data utilized in Safe Drinking Water Information System and electronic data interchange; provide information and educational opportunities to PWSs via internet postings.
- Provide legal assistance to the DWS regarding the DWSRF program
- Coordinate activities with the Environmental Health Section's Laboratory Certification Program in assisting PWSs regarding water quality testing issues
- Identify water systems that would most benefit from collaboration or regionalization and assisting in developing and evaluating processes to aid in the success of DWS capacity development efforts
- Assist in coordinating long-range water supply planning by addressing water quality and quantity issues from area-wide perspectives in regional coordinated plans
- Performance of general office functions, such as reception, typing, filing & bookkeeping in support of the PWSS and DWSRF Programs.

- Continuously update and maintain DWS's GIS data layers in the Drinking Water Section's GIS system
- Review and approval of proposed sources of supply, including verification that the water system has ownership or control of the sanitary radius for proposed groundwater sources.
- Provide support for DWSRF Program Management activities by performing a wide variety of general clerical functions including basic processing, reception, filing, record keeping, bookkeeping and typing
- Review DWSRF project funding applications and perform subsequent engineering tasks as required
- Attend workshops and trainings to improve the efficiency of the DWSRF program
- Continue Memorandum of Agreements between DPH and UCONN that allows UCONN students to intern with the DPH DWS
- Coordinate the preparation of DWSRF loan agreements with the DPH Fiscal Office, Office of Grants and Contracts and the Office of the State Treasurer

3. Small Systems Technical Assistance

Maximum Percentage Allowed:	2% of the Capitalization Grant
Taking Reserved Authority from FFY 2011 Grant:	2% (\$188,360)
Taking from FFY 2013 Grant:	2% (\$168,420)
Taking from FFY 2014 Grant:	2% (\$179,240)

Activities performed under this set-aside are aimed at helping small PWS serving fewer than 10,000 persons achieve long-term sustainability through direct technical assistance to the PWS. Technical assistance efforts include:

- Conducting sanitary surveys of community, non-transient non-community and transient non-community PWS serving fewer than 10,000 persons (small systems)
- Assessing existing small PWS's technical, financial and managerial capacity during sanitary surveys
- Educating and assisting small systems in applying for DWSRF loans for infrastructure projects
- Review and inspect DWSRF projects submitted to the Small System Emergency Power Generator Program for emergency power generators
- Conducting regulatory compliance reviews of engineering plans and specifications for existing small PWS infrastructure improvements including projects funded under the DWSRF
- Hire a contractor to provide training to small PWS trustees, operators, and municipal officials regarding the value and method of asset management to improve technical, financial and managerial capacity of those involved in managing the utility

4. Local Assistance and Other State Programs

Maximum Percentage Allowed:	15% of the Capitalization Grant
Taking from FFY 2013 Grant:	5% (\$421,050) – Source Water Assessment and Wellhead Protection
Taking from FFY 2013 Grant:	10% (\$842,100) – Capacity Development
Taking from FFY 2014 Grant:	5% (\$448,100) estimated – Source Water Assessment and Wellhead Protection
Taking from FFY 2014 Grant:	10% (\$896,200) estimated – Capacity Development

The DPH uses this set-aside for wellhead protection and capacity development activities. The Wellhead Protection Program utilizes 5% of the set-aside funds and the Capacity Development Program utilizes the remaining 10%. Each program is described below.

a) Wellhead Protection

These funds will be used to implement the 5-year Source Water Protection Strategic Plan (Attachment E).

The Source Water Protection Unit (SWP) is responsible for the purity and adequacy of Connecticut's approximately 3,729 surface and ground water drinking water supply sources. The program elements are coordination, management, and regulation of source protection through the proactive enhancement and oversight of existing source protection laws and regulations, integration with water supply planning, education of local land use officials, and involvement with stakeholders on a continuous basis. This Strategic Plan has two main objectives:

1. Revise and maintain existing public health laws, with an emphasis on education and training, involvement of stakeholders, and creation of linkages to all relevant programs in order to effectively implement the comprehensive drinking water source protection strategic work plan; and
2. Maintain minimized risk to public health for 100 percent of source water areas for community water systems (both surface and groundwater) by substantial implementation of the source water protection actions listed in the Strategic Plan, as well as full application of the federal Ground Water Rule and other laws that are in place to prevent contamination and protect water quality and therefore public health.

The SWP Unit considers substantial implementation as being achieved when all PWSs are in compliance with the objectives in the Strategic Plan. Maintaining compliance will ensure that only the safest water continues to be made available for public consumption. This includes activities and tasks including:

- Implementation of continually revised statutes and regulations for source water protection including the provisions of the federal Groundwater Rule,
- Reviewing and approving/denying of all proposed sources of public water supply,
- Permitting of proposed sales or changes to water company owned land (i.e. land owned by PWSs that are within source water protection areas),
- Permitting of monitored recreational activities on water company land,
- Coordinating of the process of conducting annual watershed inspections and annual submission of Watershed Survey Reports,
- Active and committed involvement with the improvement of the Geographical Information System (GIS) application and database which is critical for adequate source assessment and protection,
- Linking the protection of public water supplies with subsurface sewage disposal system approval, maintenance, training, and repair,
- Linking the Clean Water Act to the Safe Drinking Water Act through working with EPA, DEEP and other stakeholders,
- Continually working with local, regional and state partnerships on Environmental Reviews for projects that could potentially impact drinking water quality,
- Collaborating with stakeholders at the community and state level to implement source water protection concepts and best management practices to enhance drinking water source protection,
- Working toward development of a collaborative to focus on public health protection and source water protection,
- Working with many diverse groups to enhance drinking water source protection and provide useful educational materials,

- Provide contractual administrative and support services to the DWS on various public drinking water supply topics,
- Working to develop and utilize consistent policies for the use of pesticides and herbicides in public drinking water sources of supply, and
- Contracting with the New England Interstate Water Pollution Control Commission (NEIWPCC) to hire a Regulatory Advisor to:
 - Conduct analysis of and updates to water company land statutes and regulations
 - Provide advice on individual permit applications for water company land change of use, sale, lease, or assignment
 - Develop statutes and regulations pertaining to the sale of a water company
 - Work to redevelop the community Certificate of Public Convenience and Necessity (CPCN) regulations
 - Work with a group of stakeholders, including but not limited to other state agencies and PWSs to address issues and draft appropriate up-to-date regulations base upon new statutory requirements and capacity review
 - Conduct analysis on other proposed legislation and its potential impact on DWS
 - Work on and provide guidance on any future reports to the legislators, EPA or other public entities and follow-up to Drinking Water Quality Management Plans
 - Provide guidance and analysis of minimum stream flow regulation revisions
 - Provide guidance on proposed legislation and its potential impact on DWS

b) Capacity Development

The DPH will utilize 10% of the Local Assistance set-aside allocation for capacity development initiatives that are consistent with the DWSs EPA-approved Capacity Development Strategy and help to improve the technical, financial and managerial capacity of PWSs. The DPHs strategies account for both immediate and long-term sustainability initiatives, including education, technical assistance, enforcement, consolidation, DWSRF assistance, and water system restructuring.

These funds will be used primarily to support staff within the DWS that:

- Conduct sanitary surveys of community, non-transient non-community (NTNC) and transient non-community (TNC) PWSs
- Provide technical assistance to PWSs on violations and deficiencies noted during sanitary surveys
- Perform technical, financial and managerial capacity assessments of PWSs during sanitary surveys
- Provide technical assistance and enforcement referral to local health departments for maximum contaminant level violations, source water construction violations and cross-connections identified at NTNC and TNC food service establishments
- Conduct reviews of water quality and quantity of newly-developed drinking water sources and review engineering plans and specifications for new water system designs in accordance with RCSA and CGS Section 16-262m and under the authority of RCSA Section 19-13-B102
- Support the DWSRF program by:
 - Soliciting for DWSRF projects
 - Providing technical assistance to DWSRF applicants and their consultants on program requirements
 - Determining project eligibility and reviewing and ranking project applications
 - Reviewing project plans and specifications
 - Tracking projects through completion including site inspections
 - Reviewing and approving DWSRF payment requests from loan recipients

- Entering and maintaining data in the federal DWSRF Project Benefits Reporting (PBR) system and Drinking Water National Information Management System (DWNIMS) on-line databases
- Preparing state and federal DWSRF reports
- Coordinating, conducting and attending Public Hearing on the IUP and PPLs
- Meeting with stakeholders and applicants as needed
- Attending workshops and trainings to improve the efficiency of the DWSRF Program
- Provide technical assistance to PWSs that have received a significant violation as a result of a site inspection or as noted in a sanitary survey report
- Participate as necessary in training programs related to the technical, managerial and financial capacity for PWS operators and public health officials
- Work with the Connecticut drinking water industry, the Association of State Drinking Water Administrators, and the EPA with a goal of achieving optimization of existing surface water treatment plants

C. PROJECT FUNDS

1. Total Funds Available for Projects

The total DWSRF funding available for direct loans and subsidization to PWSs in SFY 2014 and SFY 2015 is approximately \$133.6 million. Attachment A provides a breakdown of the sources of these funds. These sources include carry-over revenue bond authorizations from previous IUPs that were not allocated to projects and new revenue bond authorizations for SFY 2014 and SFY 2015.

Projects that are currently anticipated to be funded during SFY 2014 and SFY 2015 include all projects that are being carried forward from the previous IUP, projects appearing on the SFY 2014 PPL (Attachment D.1) and projects appearing above the funding line on the SFY 2015 PPL (Attachment D.2).

2. Emergency Power Generator Program

As further described in Section VI. E., the DPH created an Emergency Power Generator program in SFY 2012. Subsidization will be provided for up to 45% of the cost of eligible components of each generator project that receives DWSRF funding. Upgrades or replacements of existing generator systems will receive up to 25% subsidization but no more than \$25,000 total subsidy. New generator systems for water facilities that do not have existing back-up power supplies will receive up to 45% subsidization but no more than \$45,000 total subsidy.

3. Eligibility for Funds

PWSs that are eligible to receive DWSRF funding include all community PWSs and non-profit non-community PWSs. Projects must meet federal DWSRF eligibility requirements. Eligible projects include:

- Installation or upgrade of facilities to improve the quality of drinking water to comply with primary or secondary standards and point of entry or central treatment;
- Rehabilitation of wells or development of eligible sources to replace contaminated sources;
- Installation or replacement of transmission and distribution pipes to improve water pressure to safe levels or to prevent contamination caused by leaks or breaks in the pipes;
- Installation or upgrade of eligible storage facilities to prevent microbiological contaminants from entering a PWS;

- Those needed to consolidate water supplies where, for example, a supply has become contaminated or a system is unable to maintain compliance for technical, financial, or managerial reasons;
- Creation of a community water system to address existing public health problems with serious risks caused by unsafe drinking water provided by individual wells or surface water sources.

For this IUP, funding for new projects is limited to eligible PWSs that submitted eligible project applications in response to the DPHs SFY 2014 and SFY 2015 Call for Projects. The initial Call for Projects solicitation period ended on January 31, 2013, but was extended to February 28, 2013. Funds will also be made available to projects carried forward from a prior IUP, but for which binding commitments with the DPH have not yet been executed. The projects that are ultimately funded may differ from those outlined in the IUP for various reasons, which include:

- A project on the fundable portion of the priority list receives full or partial funding from another source;
- A project on the fundable portion of the priority list is bypassed, as described in the Priority Ranking System criteria and Section VII.C. of this document;
- An applicant is unable to comply with all applicable state and federal program requirements for DWSRF funding;
- An applicant withdraws its DWSRF funding application ; or
- A project, or a portion of a project, is determined to be ineligible for DWSRF funds.

It is the goal of the DPH to fund as many eligible projects as it can with the available DWSRF funding.

4. Small System Funding

The SDWA Amendments of 1996 also requires that, to the extent that there are sufficient number of eligible project applications, not less than 15% of the available funding shall be dedicated to small PWSs, which are PWSs that regularly serve less than or equal to a population of 10,000. In cases where an applicant owns more than one community PWS, the applicant's population will be determined on the combined population of all of its individually owned PWSs.

The SFY 2014 and SFY 2015 PPLs did not achieve the EPA goal of dedicating at least 15% of the available DWSRF funding, or approximately \$20 million, to small PWSs. This was due to a lack of sufficient funding applications received to achieve this goal. The DPH received applications for 49 small system projects, including 40 Emergency Power Generator Program projects, totaling approximately \$4.6 million (3.4% of total available funding) in eligible project costs for the 2 year funding period. All eligible small system projects are expected to receive funding.

5. Additional Subsidization

The DPH has the statutory authority to provide subsidization in the form of grants, principal forgiveness, negative interest rates, or any combination thereof under CGS Section 22a-477(s)(2)(F). The federal DWSRF appropriations for FFY 2013 and FFY2014 requires that not less than 20%, but not more than 30%, of each capitalization grant amount be used by the State to provide additional subsidization to eligible recipients in the form of grants, principal forgiveness, or negative interest loans, or any combination thereof. The DPH is therefore required to provide an equivalent of at least \$1,684,200, but not more than \$2,526,300, in subsidization from the FFY 2013 capitalization grant. Similarly, the DPH is required to provide an equivalent of at least \$1,792,400, but not more than \$2,688,600, in subsidization from the

FFY 2014 capitalization grant. All subsidization from these capitalization grants will be provided in the form of principal forgiveness.

The DPH expects to utilize approximately 30% of each capitalization grant to subsidize certain qualifying drinking water projects. A portion of the available subsidization will be used to subsidize up to 45% of all projects funded under the Emergency Power Generator Program for SFY 2014. The remainder of the available subsidization will be blended and distributed to other drinking water infrastructure projects above the “funding line” that meet the following criteria.

- a) Small PWSs will be eligible for up to a 20% project subsidy. These funds will be allocated as follows:
 - 1) A 10% subsidy for the total DWSRF eligible project cost will be distributed to all small systems above the funding line on the SFY 2014 PPL and SFY 2015 PPL.
 - 2) An additional 10% subsidy on the total DWSRF eligible cost will be available to systems that have a water system Asset Management Plan in place, or agree to prepare and implement such a plan as part of their DWSRF financial assistance agreement. In order to assist small PWS with producing a plan, the Department will provide training opportunities at no cost to the system, as well as free onsite technical assistance, as needed, to complete and implement the Asset Management Plan.
- b) Large systems, defined as PWSs serving more than 10,000 people, with projects above the funding line on the SFY 2014 PPL and SFY 2015 PPL which meet the “Sustainability Planning” plan (i.e. Water Supply Plans and/or Asset Management Plans) and “Affordability” criteria, as outlined in Sections IV and VI, respectively, of the Priority Ranking System, will receive an equivalent proportional share of the remaining available subsidy. Actual subsidization levels will be determined based on the best available project cost information for all qualifying projects at the time the financial assistance agreement for an individual qualifying project is executed. It is estimated that each qualifying project will receive principal forgiveness equal to approximately 4% of their total DWSRF eligible project cost at the time of financial assistance agreement execution. Projects expected to qualify to receive subsidization are identified on the SFY 2014 and SFY 2015 PPLs.

A summary of the sources and uses of these subsidies is shown below.

<u>DPH Source of Subsidization % Used for Subsidy</u>		<u>Subsidy Amount</u>
FFY 2013 Capitalization Grant	30%	\$2,526,300
FFY 2014 Capitalization Grant	30%	\$2,688,600
Total		\$5,214,900

<u>DPH Use of Subsidization</u>	<u>Amount</u>
Emergency Power Generator Program	\$ 750,520
Small PWS Projects	\$ 637,160
Qualifying Large Infrastructure Projects	\$3,794,701
Total	\$5,182,381

6. Transfer of Capitalization Grant Funds between the DWSRF and CWF

The DPH has not transferred funds between the DWSRF and the CWF programs. While such a transfer is permitted under the SDWA, the DPH does not anticipate making such a transfer under the current IUP, but reserves the right to do so if necessary.

D. PROJECTS FUNDED SINCE THE LAST INTENDED USE PLAN

Since the filing of the last IUP, 11 loans, including one amendment, under the base DWSRF program and one loan under the Small System Emergency Generator Program have been executed, totaling \$ 41,277,642.44 (\$41,256,644.44 / \$20,998). Descriptions of each project are provided below:

1. City of Bristol – Grove Street Tank (\$344,155)

Bristol Water Department maintains and operates two storage tanks (Grove Tank #1 and Grove Street #2) located off of Grove Street. Grove Tank #1 was constructed in the early 1900's and its condition was deteriorating. This project demolishes Tank #1, inlet and outlet piping, and associated appurtenances since the cost to rehabilitate the tank outweighs its benefits and the tank was not necessary to the operation of the system. As a result, new infrastructure must be installed to maintain the use of Tank #2, including a vault to house gauges and sample tap, electrical panel, inlet & outlet piping, site improvements including security fencing, and other appurtenances.

This project will eliminate a deteriorating tank, which is a potential source of contamination. It will improve the operation and reliability of the system to provide a continuous supply of potable water to its customers.

2. City of New London – Lake Konomoc Intake Pump Station Phase 2 (\$5,970,473)

The project consists of the installation of a raw water intake pump station to be located adjacent to the existing water treatment plant (WTP). The new station is being constructed to allow New London to access additional water from Lake Konomoc and increase the safe yield of the source of supply to augment the demand of the system during peak demand periods and severe drought conditions, especially when the surface water in the lake is at level lower than the elevation of the existing intake pipe for the WTP. This project will help New London maintain a safe and adequate supply of potable water to its customers.

3. Sharon Housing Authority (\$20,998)

This project consists of the purchase and installation of a 50 kW emergency power generator. This generator will be used to power the water supply system in the event of a power outage to maintain a safe and adequate supply of potable water.

4. The Metropolitan District – Water Main Replacement – Retreat Avenue (\$1,824,572.45)

This project consists of the replacement of a portion of water main in the vicinity of Retreat Avenue, between Maple Avenue and Essex Street in Hartford. The water main has exceeded its useful service life and is being replaced in conjunction with upgrades to the storm and sanitary sewer systems. This project will help MDC maintain a safe and adequate supply of potable water to its customers.

5. The Metropolitan District – Pump Station Improvements (\$3,423,839)

The project consists of upgrades to the Newington and Vexation Hill pump stations in Newington and Buckingham pump station in Glastonbury, including replacing pumps, electrical, mechanical, and instrumentation and controls equipment, and the installation of metering points and back-up power including supporting structures. The project will improve the operation and reliability of each facility to ensure that customers continue to receive an uninterrupted supply of potable water.

6. The Metropolitan District – Reservoir 6 Phase II WTP Improvements (\$2,073,525)

This project consists of process, safety, and building improvements to the Reservoir #6 Water Treatment Facility, including installation of piping for filter backwash recycling. The project will improve the operation and reliability of the facility to ensure that customers continue to receive an uninterrupted supply of potable water, and will increase safety in and around the water treatment plant.

7. The Metropolitan District – Wickham Hill Storage Basins Phase I Improvements (\$3,952,620)

The work to be performed under this project includes improvements to the Wickham Hill Storage Basins. These improvements include work on the water storage basins, building renovations, site piping, and electrical improvements. Components to be upgraded include basin roof vents and manhole access hatches, installation of a membrane liner, installation of a solar-powered mixing system, new security alarms, addition to the recirculation pump chamber, water pump replacements, demolition of existing and replacement of overflow piping, installation of new valves, repairs to basin interiors, and installation of new fencing around facility.

The project will improve the operation and reliability of the finished water storage basins to ensure that customers continue to receive an uninterrupted supply of potable water.

8. The Metropolitan District – North Storage Basin Site Work (\$3,411,776)

This project consists of the site preparation and associated piping and valves for construction of a 2.5 MG water storage basin at the West Hartford Water Treatment Facility. The tank construction will begin when the site has been sufficiently prepared. The construction of this new tank is necessary in order to allow for other finished water storage basins to be taken off-line for needed repairs and improvements, while still maintaining an adequate supply of potable water to customers.

9. Norwich Public Utilities – Design of 4 Projects (\$706,816)

The Stony Brook Filter Media project consists of the design phase to add a Dissolved Air Flotation (DAF) clarification process ahead of the existing treatments to improve disinfection by-product precursor and algae removal.

The Mohegan Tank Replacement project consists of the design phase of a new 2.0 MG concrete water tank to replace the existing 5.0 MG steel Mohegan Tank.

The Northern Stony Brook Transmission Main Renewal & Micro Turbine project consists of design phase to renew the northern portion of the existing Stony Brook Transmission Main and reduce pressure from the Stony Brook Tank to the Norwich Public Utilities Low Pressure Zone through the use of a microturbine. The microturbine will be installed to provide system pressure regulation to the NPU Low Pressure zone, recover energy and export the energy back into the power grid. A flow meter will be installed upstream of the microturbine to help monitor potential leakage in the transmission line.

The Southern Stony Brook Transmission Main Renewal project consists of the design phase to renew the southern portion of the existing Stony Brook Transmission Main.

These projects will improve the quality of the treated water being delivered to customers, as well as improve the reliability of the system to maintain a continuous and adequate supply of water.

10. City of Meriden – Broad Brook Water Treatment Plant (WTP) and Pump Station Upgrade (\$19,336,522)

This project comprises of major modifications to existing Broad Brook Water Treatment Plant (WTP) and Pump Station to enhance the operations of these two facilities. The major components that are included in the WTP improvements are the following: demolition of existing sedimentation basins and replacement with new Dissolved Air Flotation (DAF) basins,

removal of existing chemical storage and feed systems and replacement with new systems, replacement of existing filter media and filter underdrains, installation of new pumping equipment, replacement of lagoon lining and underdrain systems, rehabilitation of an underground clearwell, baffling, and improvement to existing building components. The majority of the WTP components are antiquated and improvements to the facility are crucial for infrastructure sustainability and address the water quality issues.

The work at the Finch Avenue Pump Station includes installation of new pumps, motors with variable frequency drives, valves; piping modifications; new electrical equipment, and security fencing. Improvements to the pump station are critical to handle the necessary flow of water through an interconnection with a neighboring water utility to ensure that the demands of Meriden customers will be met especially while the Broad Brook WTP is removed from service during construction.

These projects are necessary to improve the quality of the treated water being delivered to customers, as well as improve the reliability of the system to maintain adequacy and purity of the water being delivered to the public.

11. Ledyard WPCA – Water Main Extension – Aljen Heights (\$206,345.99)

The additional funding provided for this project is for work which includes installation of water main & pump station to provide a safe and reliable drinking water supply to the residents of Aljen Heights Subdivision (a private subdivision), Avery Hill Water Association (AHWA), a community water system, and some residential homes located off of Avery Hill Road in Ledyard, Connecticut. The AHWA has only a single well with multiple regulatory violations and a majority of Aljen Heights homeowners have contaminated private wells. The loan agreement has been amended to increase the project funding to cover the additional cost for booster pump station installation.

This project is essential for the Ledyard WPCA to provide an adequate and potable water supply to serve those additional homes.

IV. DWSRF PROGRAM GOALS

The DPH has developed short-term and long-term goals to support the overall goals for the DWSRF program of ensuring public health protection, complying with the SDWA, ensuring affordable drinking water, and maintaining the long-term financial health of the DWSRF.

The DWSRF short-term goals are focused on continued development and implementation of all facets of the DWSRF program, including moving eligible fundable projects through the loan process to ensure that all monies are committed in a timely manner. The short-term goals as indicated below are benchmarks for measuring overall success and effectiveness of the program.

The DWSRF long-term goals, as outlined in the OA between the State of Connecticut and the EPA, express strategic principals for guiding the DWSRF program into the future.

Following lessons learned from the American Recovery and Reinvestment Act of 2009 (ARRA), in mid-2011 the DPH initiated a section-wide strategy to prioritize increasing the pace of the DWSRF program and creating a pipeline of projects for future funding years. Within this strategy, the DPH moved from a one year PPL to a two year PPL. This change allowed the DPH to fund projects that were ready to

proceed in the first year while getting other projects ready for funding in the second year. The two year PPL also reduced the DPH's administrative burdens associated with an annual project solicitation period, PPL preparation and public hearing process. In addition, changes were made to the Priority Ranking System (Attachment B) used to establish the PPLs. The Priority Ranking System is discussed in more detail in Section VI. These changes were outlined in a January 20, 2012, letter from DPH Commissioner Dr. Jewel Mullen to EPA Administrator Jackson (Attachment F). On June 17, 2013, the DPH sent a letter to EPA Region 1 with an update on the progress that has been made to increase the pace of the program (Attachment G). "Pace" is a federal measure of the DWSRF assistance provided as a percentage of available funding. The changes that have been made to help maximize the use of available funding each year include:

- Providing additional staff resources to the program
- Reducing program administration costs and delays associated with the development of an annual PPL by moving to a 2 year PPL
- Revising the DWSRF Priority Ranking System to place greater emphasis on ready-to-proceed projects in the first year of the 2-year PPL
- Working more closely with DWSRF loan applicants and improving coordination of regulatory review and loan preparation activities to keep projects and funding commitments on schedule
- Creating a pipeline of projects through close interaction with public water systems concerning their system needs during the data gathering process for the 2011 EPA Drinking Water Infrastructure Needs Survey, and working to better promote and explain the DWSRF process
- Using the results of LEAN activities in 2010 and 2014 to understand program requirements across agencies and institute streamlining techniques
- Creating a unit that is responsible for administering the federal grant applications, working directly with the DPH Fiscal Office on federal cash management, and working closely with and fully support the efforts of the DWSRF program.

The DPH did not leverage our capitalization grant awards received for FFY 2012 or FFY 2013 as part of the effort to increase the pace of the program. In addition, certain data corrections were made to information the DPH reported through the DWNIMS database. All of these efforts led to significant improvements in the pace of the program between SFY 2012 and SFY 2013 as measured by DWNIMS. Between SFY 2012 and SFY2013 the pace of the program rose from 48% to 88% as a result of these efforts.

The short-term and long-term program goals noted below include several new activities.

A. SHORT-TERM GOALS-FINANCIAL

1. Approve loans and financial assistance for projects funded from the FFY 2013 and FFY 2014 capitalization grants in accordance with this IUP.
2. Continue to implement:
 - a. Effective and efficient fiscal management of DWSRF funds;
 - b. Routine procedures for entering into project funding agreements with recipients; and
 - c. Effective and efficient communications between State agencies for fiscal components of the DWSRF program.
3. Complete a review of DWSRF fiscal elements as required by the EPA.
4. Input project financial information into the DWSRF PBR and the DWNIMS on-line database.
5. Maintain a financing plan that secures the perpetuity of the DWSRF and meets loan demand.

6. Oversight, tracking, and continued implementation of the DPH's January 2013 Cash Management Plan

B. SHORT-TERM GOALS-PROGRAMMATIC

1. Review and approve applications for DWSRF assistance for projects ranked on the PPLs with an overall goal of committing all available project funds during the IUP period and increasing the pace of the DWSRF program.
2. Continue to implement the program improvements outlined in the January 20, 2012 letter to EPA.
3. Provide at least 15% of available funding to small systems serving less than or equal to 10,000 people, to the extent there are sufficient project applications.
4. Continue to focus on increasing the pace of DWSRF program assistance.
5. Reduce, as quickly as possible, the DPH's ULOs associated with capitalization grants awards (project funds and set-asides) received from EPA. This effort includes ensuring DWSRF loan recipients are submitting invoices to the DPH in a timely manner.
6. Maintain a pipeline of projects through close interaction with public water systems.
7. Continue utilizing a 2-year project planning period to coincide with the biennial State budget cycle.
8. Continue to implement the following existing DWSRF elements, including re-evaluation and improvement when necessary:
 - a. Review of the Priority Ranking System;
 - b. Procedures for conducting technical/administrative reviews and issuing approvals for DWSRF projects;
 - c. Responsibilities delineated in the DWSRF Interagency MOU;
 - d. Routine procedures for monitoring oversight and contract compliance of DWSRF set-aside projects;
 - e. Communication and information sharing between State agencies for programmatic components of the DWSRF; and
 - f. Procedures for evaluating technical and managerial capacity of DWSRF applicants and sustainability aspects of proposed projects.
9. Revise the DWSRF Interagency MOU to reflect modifications made with respect to each agency's responsibilities to the DWSRF program to reflect the statutory changes approved in 2010.
10. Implement the provisions of the FFY 2013 and FFY 2014 appropriations.
11. Input project information into the DWSRF PBR and DWNIMS on-line databases.
12. Revise the OA to reflect revisions that have been made to the DWSRF program since 1997.
13. Complete a review of DWSRF programmatic elements as required by the EPA.
14. Utilize the Emergency Power Generator Program as a model for streamlining DWSRF requirements for small systems that undertake other projects with a total project cost of less than \$100,000.

15. Educate and improve the sustainable infrastructure and asset management programs of PWSs.
16. Ensure the IUP and projects funded through the DWSRF comply with the Connecticut Conservation and Development Policies Plan (C&D Plan).
17. Continue transitioning into the Loans and Grants Tracking System (LGTS) database that will improve communication between State agencies and information sharing with the EPA for projects funded through the DWSRF program.

C. LONG-TERM GOALS/PROJECTIONS

The DPH has established management goals for the DWSRF program as part of its statewide public health performance improvement initiative. The condition of the DWSRF continues to be enhanced by the placement of the DWSRF within the financial structure of the CWF. This helps to assure that the DWSRF will benefit from the same management and financial planning mechanisms as the CWF program. In addition to the long-term goals outlined in the OA, ongoing discussions about the following issues will shape the program in the coming years:

1. The DPHs commitments to monitor, track, and continue to improve the pace of the DWSRF program.
2. Maintain low levels of ULOs associated with capitalization grant awards (project funds and set-asides) received from the EPA.
3. Continuing to reach out to Connecticut PWSs in order to maintain a pipeline of projects that are eligible to receive DWSRF funding.
4. Coordination within the DPH, and continued collaboration with other State agencies where possible and advantageous, to maximize the effectiveness of the program and meet the State’s water quality goals.
5. Use set-aside funds to effectively improve Connecticut’s aging drinking water infrastructure, drinking water regulatory compliance, the technical, managerial and financial capacity of PWS and drinking water service to Connecticut’s residents. Areas of concern include PWS sustainable infrastructure programs, long-term water supply planning, source water protection and small water systems.
6. Continued improvement on documenting the PWS infrastructure needs for Connecticut through on-going participation and support for the EPAs Drinking Water Infrastructure Needs Survey.
7. Offer a long-term low-interest financing program to eligible PWSs to undertake infrastructure improvement projects.

V. DESCRIPTION OF DWSRF FINANCIAL STATUS

A. TOTAL AMOUNT OF FUNDS IN DWSRF AND SET-ASIDE ACCOUNTS

Attachment A reflects the total amounts projected for the DWSRF project fund and set-aside accounts that will be made available to the DPH upon EPA approval of the DPHs FFY 2013 and FFY 2014 capitalization grant applications.

B. THE DWSRF FINANCING PLAN

The DWSRF financing plan is similar to the plan for the State's CWF program. This plan includes leveraging, when appropriate, where project funding comes from the proceeds of revenue bonds supported by the capitalization grants. Connecticut has periodically leveraged the DWSRF program since FFY 2001. Bonds were most recently issued for the DWSRF Program in 2011. The DPH did not leverage its capitalization grant awards received in 2012 or 2013 as part of its effort to increase the pace of the DWSRF program.

A more detail financial analysis of the DWSRF program can be found in the [DWSRF Annual Reports](#), which are publicly available on the OTT's website.

C. STATE MATCHING REQUIREMENT

The required 20% state match for the FFY 2013 capitalization grant is \$1,684,200. The required 20% state match of the FFY 2014 capitalization grant is \$1,792,400. These funds are required to be in place prior to drawing down the award. The state match is provided through the proceeds of state General Obligation Bonds issued prior to 2001 and cash contributions from the state. Since 2007, additional state match has been provided by the contribution of principal and interest payments collected from the state on General Obligation Bonds issued to provide interest subsidy for the CWF and held outside the CWF until payments are received by Connecticut. These funds are no longer needed by the CWF for debt service because of the issuance of lower cost refunding bonds and additional contributions by Connecticut. These payments are held and deposited as cash contributions for the DWSRF state match. To date, the DWSRF has received and deposited \$33.5 million for the required match.

D. ISSUANCE OF BONDS FOR LEVERAGING

Consistent with Connecticut's financing strategy for the CWF, the DWSRF includes leveraged financing. Since 2001, with the EPAs approval, bonds have been issued on an as-needed basis to fund DWSRF projects. Leveraged financing allows the DWSRF to maximize the available project funding because the revenue bond proceeds can be two to three times the amount of the available capitalization grants and state match contributions. This strategy also allows the State to provide more loans with a lower interest rate at favorable terms to more of the PWS applicants.

The leveraging process has been successful because it has allowed the State to fund projects that would not be normally funded using capitalization grant funds alone. One example is the \$55 million New Britain Water Treatment project, which was built using \$36.6 million in DWSRF monies. This project, which replaced an antiquated system, provides excellent quality water to its over 90,000 customers as well as keeping the water rates relatively low. Another great example is the \$29 million water treatment plant upgrade for the South Norwalk Electric and Water utility. This project was built using \$24.7 million in DWSRF monies to replace an antiquated water treatment plant that was badly in need of upgrades. Without leveraging, DPH would not be able to fund larger projects like these.

In SFY 2012 and SFY 2013, although bonds were issued for the CWSRF, no bonds were issued for the DWSRF due to there being sufficient funds available for projects that were moving forward. The DPH did not leverage its capitalization grant awards received in 2012 and 2013 as part of its effort to increase the pace of the DWSRF program.

E. FEDERAL CASH DRAW PROPORTIONALITY

The DPH must drawdown project funds from the federal capitalization grant award at a proportional rate not to exceed the rate of use for the state matching funds that will be used to secure the grant. The DPH will use all of the state matching funds prior to drawing down the federal capitalization grant funds. This approach will ensure compliance with the proportionality requirement.

F. FINANCIAL TERMS OF LOANS

Connecticut has instituted a tiered schedule of interest rates for DWSRF loans derived from the market costs of debt financing for the DWSRF program. The tier applicable to a specific project will be based on the financial and legal status of the recipient as well as on the type of project. CGS Sections 22a-475 through 22a-483, inclusive, allows for amortization to begin one year from the project's scheduled completion date and provides a formula, based on Connecticut's prevailing taxable or tax-exempt bond market rates, for setting interest rates. Connecticut may adjust these terms based on the financial viability of the borrower.

CGS Sections 22a-475 through 22a-483, inclusive, also allows Connecticut to offer project loans with reduced interest rates or an extended term, if permitted by Federal law, to eligible PWSs that qualify as disadvantaged communities. Attachment 10 to the OA contains an explanation of what a disadvantaged community is. Connecticut does not currently offer a disadvantaged community assistance program for the DWSRF.

Within the provisions of CGS Sections 22a-475 through 22a-483, inclusive, Connecticut will consider appropriate financial terms for refinancing and the acquisition of land and sanitary easements on a case-by-case basis. SDWA only permits use of the DWSRF for refinancing for municipal projects incurring debt and initiating construction after June 30, 1993. In addition, costs for the acquisition of land needed only for the purposes of locating eligible project components may be eligible for assistance from the DWSRF and only if the land is acquired from a willing seller.

Additional lending policies pertaining to the DWSRF program are found in Attachment 6 (last revised April 1999) to the OA.

G. EXPECTED LOAN DEMAND

Connecticut's EPA-sponsored 1999, 2003, 2007, and 2011 EPA Drinking Water Infrastructure Needs Surveys evidenced that a significant need continues to exist throughout the state for funding capital improvements. The results of these surveys are used by the EPA to determine the percentage of the DWSRF appropriation that each State will receive each year for the 4-year period interval following release of each survey's report.

The EPAs completed 2011 Drinking Water Infrastructure Needs Survey assessed the cost and types of drinking water needs throughout the nation for the period January 1, 2011 to December 31, 2030. The results of the survey are used to determine the DWSRF allocation for FFYs 2014 through 2017. Connecticut is one of many states that currently receive the minimum 1% allocation. The results of the 2011 survey, which were released in June 2013, showed that the state's estimated need had grown from \$1.394 billion in 2007 to \$3.587 billion in 2011. Also, starting with the FFY 2014 capitalization grant, the state's allotment has increased from 1% to 1.01%.

The breakdown was as follows:

- | | |
|----------------------------------|-----------------|
| 1. Transmission and Distribution | \$2.584 billion |
| 2. Treatment | \$545.1 million |

3. Storage	\$267.3 million
4. Source	\$146.6 million
5. Other	\$35.0 million

As the cost and need for infrastructure projects continue to increase, the demand for low-cost loans will most likely also increase. The availability of federal subsidization since 2009 for DWSRF projects has also increased the demand for loans. For SFY 2014 and SFY 2015 the DPH received requests for loans for 60 infrastructure projects totaling approximately \$153 million in eligible project costs. In addition, the DPH received 60 applications under the Emergency Power Generator Program totaling approximately \$2.8 million in eligible project costs.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF PROJECT FUNDS

A. PRIORITY RANKING SYSTEM

A state's priority system is required to provide, to the extent practicable, the priority for projects that will be given to projects that: address the most serious risk to human health, are necessary to ensure compliance with the requirements of the SDWA, and assist systems most in need, on a per household basis, according to State affordability criteria. The Priority Ranking System developed by the DPH for its DWSRF program specifies the criteria that the DPH used to determine the distribution of funds and is found in Attachment B of this IUP. The primary objective of the ranking system is to award the highest points to projects that protect public health through improvements designed to address PWS performance in the areas of water quality and water quantity. The DPH has statutory and regulatory jurisdiction over all statewide matters related to the purity and adequacy of drinking water. The DPH considers quantity as important as quality in the protection of public health. The DPH is also responsible for the timely distribution of available DWSRF funds and must take into consideration each project's "readiness to proceed" when preparing the PPLs.

The SDWA Amendments of 1996 also require that, to the extent that there are sufficient number of eligible project applications, not less than 15% of the available funding shall be dedicated to small systems serving less than or equal to a population of 10,000. In cases where an applicant owns more than one community PWS, the applicant's population will be determined on the combined population of all of its individually owned community PWSs.

Modifications were made to Connecticut's Priority Ranking System (Attachment B) for the SFY 2014 and 2015 DWSRF funding cycle. The Priority Ranking System was made available to all applicants for their reference in completing and submitting project eligibility applications. The EPA approved these modifications on November 19, 2012 (Attachment H). These changes include the following:

- Utilization of the American Community Survey data as the source for municipalities that qualify for affordability points
- Addition of a section which describes the Emergency Power Generator Program

All eligible projects are ranked by points, highest to lowest, in a comprehensive list for each SFY covered under this IUP. Projects that are determined by the DPH as not ready to proceed in SFY 2014 were not considered in preparing the SFY 2014 PPL regardless of the priority points that the project received. These projects were automatically put on the SFY 2015 PPL and ranked accordingly.

Projects identified above the funding lines on the SFY 2014 and SFY 2015 PPLs may be bypassed by a project identified below the funding line if the higher-ranking project is not

progressing. The by-pass procedures are outlined in Section VII. C. of this IUP. In the event that one or more projects are tied in the number of points, the tie-breaker provisions outlined in Section VII.D. will be used to determine which project will be ranked higher on the PPL. The lowest ranking project above the funding line on the SFY 2015 PPL may only be partially funded based on the amount of total funds that remain available.

Within the parameters set by the Priority Ranking System, the DPH intends to exercise considerable flexibility in the types of projects the DWSRF will fund with protection of public health and compliance with Federal and State drinking water mandates as the predominate concerns. Exclusions for growth and other non-eligible elements as described in Priority Ranking System (Attachment B) stand as limitations on project funding.

While the DPH intends to fund a wide range of drinking water projects, it will do so only after careful consideration of an applicant's technical, managerial and financial capabilities and readiness to proceed with their project. An assessment of an applicant's financial capabilities will be conducted before any funding commitment is made.

B. OTHER FFY 2013 and FFY 2014 DWSRF PROVISIONS

1. Davis-Bacon Prevailing Wage Requirements

The FFY 2013 DWSRF appropriation made the application of Section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) a permanent provision for all future federal DWSRF appropriations. Congress mandated that the requirements of this section apply to any construction project carried out in whole or in part with assistance made available by the DWSRF. Section 1450(e) of the SDWA requires compliance with federal labor laws regarding prevailing wages, hours of work, and rates of pay. These requirements are collectively known as the Davis-Bacon Act.

2. Federal Cross-Cutting Authorities, Equivalency Projects and Environmental Reviews

A number of Federal laws, executive orders, and government-wide policies apply by their own terms to projects and activities receiving federal financial assistance, regardless of whether the statute authorizing the assistance makes them applicable (cross-cutters). All projects for which the DPH provides DWSRF assistance in amounts up to the amounts of the capitalization grant deposited into the DWSRF (i.e. equivalency) are required to comply with these requirements. The DPH is responsible for ensuring that DWSRF assistance recipients comply with the requirements of cross-cutters, including initiating any required consultations with state or federal agencies responsible for individual cross-cutters.

The DPH is required to identify projects that will be used to satisfy federal equivalency requirements. The DPH has elected to also impose federal equivalency requirements to all projects and activities for which the DPH provides DWSRF assistance. The only exception to this is for federal Disadvantage Business Enterprise (DBE) requirements which the DPH will only apply to PWS infrastructure projects costing more than \$100,000 and DPH will only report to EPA on DBE compliance in an amount equivalent to the federal capitalization grant. All PWS infrastructure projects funded by the DWSRF are reviewed under a State Environmental Review Process (SERP) administered by the DPH and considered by the EPA to be equivalent to a National Environmental Policy Act (NEPA) review.

For the purposes of satisfying capitalization grant reporting requirements under the Federal Financial Accountability and Transparency Act (FFATA), the DPH will only report on DWSRF projects in an equivalent amount of each capitalization grant as requested by EPA.

The following projects may be used to satisfy the FFATA reporting requirements. The actual projects reported under FFATA will be stated in the DWSRF annual report.

SFY 2014				
PWSID	PWS Name	Town of PWS	Project Name	Amount
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Reservoir #6 Water Treatment Facility Filtered Water Basin Rehab	\$3,050,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - RF Automated Meter Reading - Phase IV	\$5,000,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Raw Water Pipeline-Phase I - Reservoir No. 6 to Reservoir No. 5	\$5,000,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Trans. Main replacement - Hartford; Hamilton & Park Phase II	\$4,750,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Franklin #1	\$3,904,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Park #1 & 3	\$6,103,400
CT0800011	MERIDEN WATER DIVISION	MERIDEN	DWSRF - Swain Avenue Water Main Replacement Project	\$1,100,000
CT0890011	NEW BRITAIN WATER DEPARTMENT	NEW BRITAIN	DWSRF - Elam Street Storage Tank Replacement and Associated Improvements	\$4,770,000
CT1310011	SOUTHINGTON WATER DEPARTMENT	SOUTHINGTON	DWSRF - East Side Water Storage Tank and Pump Station	\$5,280,000
SFY 2015				
CT0590011	GROTON UTILITIES	GROTON	DWSRF - Water Treatment Plant Upgrade	\$34,000,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - Hartford	\$12,000,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - various Hartford	\$5,000,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Simsbury Road Pump Station Upgrade, Bloomfield	\$1,035,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF- Uplands Way Pump Station Upgrade, Glastonbury	\$1,035,000
CT0640011	METROPOLITAN DISTRICT COMMISSION	HARTFORD	DWSRF - Water Main Replacement - West Hartford	\$4,420,342

3. Use of American Iron and Steel

On January 17, 2014, federal Public Law 113-76 was enacted, which includes the FFY2014 DWSRF appropriation. This law added a new federal Use of American Iron and Steel (AIS) requirement in Section 436 which requires DWSRF assistance recipients to use iron and steel products produced in the United States for the construction, alteration, maintenance or repair of a public water system or treatment works if the project is funded through an assistance agreement executed beginning January 17, 2014 through the end of FFY 2014 (September 30, 2014). On [March 20, 2014](#) the USEPA issued a memo to regional EPA offices which includes guidance on the implementation of this new provision and created a new [State Revolving Fund American Iron and Steel Requirement website](#). The DPH has also created an [AIS webpage](#) to assist DWSRF applicants in understanding and complying with AIS requirements.

C. CONNECTICUT CONSERVATION AND DEVELOPMENT POLICIES PLAN

CGS Section 16a-31(e) requires that whenever a state agency is required by state or federal law to prepare a plan, it shall consider the C&D Plan in the preparation of such plan. The DPH has considered the C&D Plan in the preparation of this Draft IUP and submitted the Draft IUP to the Secretary of the Office of Policy and Management (OPM) for an advisory report commenting on the extent to which the proposed plan conforms to the C&D Plan. The DPH received notification from the OPM on October 17, 2013, that the Draft IUP was found to be generally consistent with the C&D Plan and acceptable for finalization.

The advisory report on the IUPs conformance with the C&D Plan is important because CGS Section 16a-31(c) also requires the OPM to advise the State Bond Commission (SBC) prior to the allocation of funding to the DPH for these DWSRF projects. Finally, CGS Section 16a-31(a)(3) requires the DPH to determine the consistency with the C&D Plan of individual actions regarding the acquisition, development, or improvement of real property, it undertakes using state or federal funds, such as the drinking water infrastructure improvement projects contained in the SFY 2014 and 2015 PPLs, when those costs are in excess of two hundred thousand dollars.

D. RELATIONSHIP TO DWSRF GOALS

The DWSRF Priority Ranking System reinforces the DWSRF short and long-term goals. It is also consistent with the congressional intent of the DWSRF program to direct the highest priority to projects that protect public health and/or achieve SDWA compliance.

Affordability continues to be included by awarding additional ranking points to those PWSs that meet the affordability criteria, as those PWSs may gain the greatest potential benefit from access to DWSRF loan funds. As described in the Priority Ranking System, affordability points are awarded to a project located in a municipality where the Median Household Income (MHI) is less than 80% of the Connecticut's average MHI as determined by the most recent American Community Survey available at the time the call for projects was announced.

Additionally, the criterion are preventative in that they levy points for situations in which water quality impairments, water quantity inadequacies, or water system imperfections may increase risk to public health and/or result in non-compliance. Points awarded for acquisition and proactive upgrades emphasize the importance of supporting projects oriented toward achieving long-term solutions to existing deficiencies.

The Priority Ranking System compliments Connecticut's multiple barrier approach to source protection with criteria recognizing every protective barrier of water system operations from the source to the tap. The Priority Ranking System incorporates bypass procedures for readiness to proceed and for drinking water emergencies to ensure that DWSRF funds move expediently to where they are needed most.

Over the two year period covered by this IUP, the DPH intended to provide funding for small PWSs in an amount of at least 15% of the total available funding, but the total amount requested was below the threshold.

E. PROJECTS PROPOSED TO RECEIVE FUNDING

The DPH expects that there will be approximately \$133.6 million dollars available from the DWSRF for drinking water infrastructure projects in SFY 2014 and SFY 2015. The DPH utilized the DWSRF Priority Ranking System to determine the SFYs 2014 and 2015 DWSRF

PPLs. The SFY 2014 PPL includes projects, or portions of projects, that can reasonably be expected to proceed in SFY 2014 based on project readiness information provided by the applicants in their DWSRF Eligibility Application (Attachment C.1) or Emergency Power Generator Eligibility Application (Attachment C.2).

Projects on the SFY 2014 and 2015 PPLs appearing above the “funding line” are expected to receive funding under this IUP. The DPH utilizes procedures as described in Section VII.C. to bypass projects that are not progressing at a rate that will ensure the timely distribution of available DWSRF funds. If a project is bypassed, the DPH will make any funding associated with that project available to the next highest ranking project that needs funding or the funds may be used for cost increases on other projects previously approved. In addition, there are carryover projects from previous PPLs that are anticipated to be funded in SFY 2014.

All project eligibility applications were reviewed and evaluated to ensure that the proposed projects meet the eligibility criteria and that the applicant is prioritizing projects based on their identified needs and any applicable compliance concerns. All projects were awarded appropriate points based on the current Priority Ranking System, as discussed previously. DPH continues to emphasize project readiness in development of the SFY 2014 and SFY 2015 PPLs.

The SFY 2014 PPL includes all projects proposed to move forward during SFY 2014, shown in order of points awarded. A total of 94 projects are on the SFY 2014 PPL, with 76 projects expected to receive funding in the amount of \$62,400,000. The SFY 2015 PPL includes all projects proposed to move forward during SFY 2015, shown in order of points awarded, which are the remainder of the eligible project applications received. A total of 42 projects are on this list, with the 17 highest-ranked proposed to receive funding in the amount of \$71,200,000. The SFY2015 PLL includes 18 unranked projects at the bottom which were determined to be ineligible for DWSRF assistance or whose applications for assistance were subsequently withdrawn by the applicant. Some projects have requested funding for both the design phase and construction phase of the project; however both phases may not necessarily receive funding. The total amount requested for all eligible projects is \$163,129,273.

In addition, several projects identified in the FFY 2012 & 2013 IUP and PPLs are in progress, though binding commitments have not yet been finalized. These projects are being carried over, in accordance with the procedure described in Section VII.A. These carryover projects went through public comment and ranking for the FFY 2012 & 2013 IUP and are not being re-ranked.

If a PPL is amended under the provisions established in this IUP, the additions or other substantive changes to the PPL will go through a public review process.

Emergency Power Generator Program

This program was established in response to two extreme weather events that occurred in the late summer and fall of 2011. These events left many customers of small PWSs throughout Connecticut without water service for extended periods of time due to power outages. The two storms affected the operations of a total of 214 small PWSs. Boil water advisories were issued to residents of PWSs that lost water service until water pressure was restored and water quality testing determined that the water was safe for consumption.

This program was announced on November 22, 2011 and projects specifically for emergency power generator systems were solicited as part of the Call for Projects. The DPH received a total of 63 applications for generator projects in response to the solicitation. Of those applications, 37 submitted the proper documentation to move forward and to date 34 loans have been executed.

During 2012 and 2013 two additional severe weather events occurred furthering the need to ensure that all PWSs have back-up power systems capable of providing continued water service to customers during prolonged power outages. For SFY 2014 & 2015, the DPH has expanded it to include PWS of all sizes. 60 applications in the eligible amount of \$2,805,930 were received. PWSs that currently do not have back-up power for a drinking water facility are eligible to receive up to 45% of the total DWSRF eligible project cost as subsidization with a maximum subsidization of \$45,000 for each facility. PWSs that already have back-up power systems installed in their facilities are eligible to receive up to 25% of the total DWSRF eligible project cost as subsidization with a maximum amount of \$25,000 per project for replacement generators. Generator projects are ranked along with all other projects in accordance with the priority ranking criteria.

VII. DWSRF POLICIES

A. PROJECT APPLICATION CARRYOVERS AND ROLLOVERS

1. Project progressing towards a loan agreement (Carryover)

A project(s) that has been identified as above the funding line on the PPL, or was moved above the funding line through the bypassing procedure, and is progressing through the DWSRF process toward a loan agreement, but for which a financial assistance agreement is not executed during the IUP period/funding cycle for its PPL, will be automatically carried over to the subsequent IUP period/funding cycle with respect to allotment and use of project funds. Projects in this category are considered to have already gone through the public hearing process and will not be re-ranked on the subsequent PPL.

2. Project on the PPL, but not progressing towards a loan agreement (Rollover)

A project(s) that has not been withdrawn, but which is not progressing towards a loan agreement during the IUP period/funding cycle, can be rolled over for consideration in the subsequent IUP period/funding cycle upon written request to the DPH by the applicant. Any PWS seeking to rollover a project is required to update its DWSRF application upon request by the DPH. These projects will be ranked with all new applications received for the fiscal year into which the project is being rolled over and in accordance the then-current Priority Ranking System. Any project that is rolled over must continue to comply with all requirements of the DWSRF program.

B. MULTI-YEAR PROJECTS ON THE FUNDABLE PORTION OF THE PRIORITY LIST

The construction of some of the projects on a particular PPL may take place over multiple years. For such multi-year projects, the DPH reserves the right to require the applicant to break the project into phases and to limit the amount of funding reserved for the project on a PPL to the amount of funds the PWS reasonably projects it will need for the phase to be designed and/or constructed during the SFY of the PPL. This allows the timely access to DWSRF funds by other DWSRF applicants that are ready to use them. Subsequent phases of these multi-year projects will automatically be rolled over to the PPL for the next IUP and will retain its assigned ranking points. These subsequent phases will not automatically receive DWSRF funding in the next IUP but will be ranked against other new and rolled-over projects on the PPL.

C. PROJECT BYPASS PROCEDURES AND READINESS-TO-PROCEED

1. Bypass for Readiness-to-Proceed, etc.

- a. If for some reason a project is not ready to proceed in a timely fashion, the DPH may bypass that project and select the next highest ranked eligible project for funding based on that PWSs ability to initiate the project during the current SFY funding cycle. A project will also be bypassed if the applicant has withdrawn its DWSRF application. This bypass process is necessary to ensure that available DWSRF funds will be disbursed in a timely fashion.
- b. Only those elements (planning, design, construction) of eligible projects that can result in executed contracts and DWSRF loan agreements within the current SFY funding cycle may receive funding during that cycle. Elements of eligible, fundable projects that cannot result in executed contracts and DWSRF loan agreements may be eligible to receive funding in future funding cycles, based on the rollover procedure in Section VII.A. The criterion used to evaluate readiness is included in the DWSRF Eligibility Application and Emergency Power Generator Eligibility Application.

2. Emergency Bypass

The DPH Commissioner may make a project loan or loans with respect to an eligible drinking water project without regard to the priority list of eligible drinking water projects if a public drinking water supply emergency exists, pursuant to Connecticut General Statute Sec 25-32(b), which requires that the eligible drinking water project be undertaken to protect the public health and safety. In such cases there may be a need to by-pass projects on the project priority list.

D. TIE-BREAKING PROCEDURES

The total numeric score for a project is determined by summing the points awarded based on the Priority Ranking System and detailed in the DWSRF Eligibility Application. In circumstances where more than one project has an equivalent ranking score, the following tiered approach will be implemented to break the tie:

1. The size of the population served by the project; the project with the larger population served will be given preference.
2. The percentage of total system population served by the project; the project serving a higher percentage of the overall system population will be given preference.
3. The size of the total population served by the system applicant; the system with the larger population will be given preference.

If two or more projects remained tied after implementation of tie-breaker #1, then #2 will be applied. If two or more projects remain tied after implementation of tie-breakers #1 & #2, then #3 will be applied.

E. REIMBURSEMENT

The DPH implements the EPA policy on eligibility of reimbursement of incurred costs for approved projects (Eligibility of Reimbursement of Incurred Cost for Approved Projects 64 F.R. 1802 (Jan. 12, 1999)). Consistent with this policy, an eligible PWS must receive written authorization from the DPH prior to commencement of construction in order to be eligible to receive reimbursement at the financial assistance agreement closing for any construction costs incurred prior to the loan closing.

F. WITHDRAWAL OF PROJECT FROM FUNDING CONSIDERATION

1. If a PWS chooses not to pursue funding of a project through the DWSRF, or chooses to not go forward with implementation of a project, the PWS shall submit a letter to the DPH indicating the withdrawal of the project. Upon receipt, the project will be removed from the appropriate SFY PPL and no longer considered for funding. Withdrawal of a project will not preclude a PWS from continuing to pursue funding for other projects or from submitting the same project for consideration during a subsequent DWSRF funding cycle.
2. Projects for which an Eligibility Application is received and the project is placed on the SFY 2014 or 2015 PPL, but for which the DPH does not receive a Financial Assistance Application by the established deadline will be considered withdrawn. A PWS will be notified if their application is withdrawn by the DPH.

G. LETTER OF AUTHORIZATION TO AWARD FOR ELIGIBLE PROJECTS

The DPH may issue a letter authorizing the PWS to award a contract for a project if sufficient information has been submitted. Typically, this letter indicates to the applicant that the materials that they have submitted to the DPH satisfy the regulations for the DWSRF program. The applicant may award the contract(s) subject to conditions set forth in the letter. The authorization letter does not constitute a commitment by the DPH to make a project loan under the DWSRF program.

VIII. IMPACT OF PROGRAM ON LONG-TERM FINANCIAL STATUS OF DWSRF

The main features of the DWSRF program – the Priority Ranking System, the leveraging plan, and the maximization of set-aside monies – will be implemented and managed in a prudent and responsible manner. This will allow the DPH to meet the public health and compliance goals of the DWSRF, while simultaneously preserving the integrity and perpetuity of the fund itself. Loan terms will be attractive, while lending procedures will include safeguards structured to minimize unforeseen losses to the fund. The use of federally allowed subsidization from the capitalization grants will be managed to ensure that these non-repayment funds enhance the program rather than result in detrimental long term consequences.

The DWSRF also produces numerous opportunities for strengthening water supply mechanisms (i.e., source protection, PWSS program) that will ultimately result in improvements to safe and adequate supplies of drinking water for Connecticut residents. Additionally, the placement of the DWSRF within the financial structure of Connecticut's CWF guarantees that the DWSRF will benefit in the long term from the same management and financial planning mechanisms that have marked the success of Connecticut's CWF Program.

IX. PUBLIC OUTREACH AND COMMENT

The DPH has engaged in a determined effort to prepare and provide accurate and understandable information on the DWSRF to potential loan applicants and other interested persons. The DWSRF loan applicant pool in Connecticut consists of approximately 900 PWSs. Outreach to these systems, as well as to other interested persons, has and will continue to occur simultaneously with the implementation of the DWSRF program. Outreach is accomplished through posting of information on the DWS website, meeting with applicants, distributing of program information, participating in various water-related forums, and publishing a DPH DWSRF program brochure. The DPH directly solicits for DWSRF projects to all community PWSs and all non-transient non-community (NTNC) public schools.

In conformance with 40 CFR 35.3555(b), the DPH sought meaningful public review and comment on this IUP. In addition, RCSA Section 22a-482-1(c)(4) requires that a public hearing be held to allow for the opportunity to comment on the Draft PPLs for SFYs 2014 and 2015. As has been done in previous years, this IUP, which includes the PPLs, was made available to all applicants and other interested persons for review and comment at least 30 days prior to the public hearing. A Notice of Hearing was formally

advertised in newspapers of statewide and regional distribution and in two minority newspapers. The Draft IUP, Draft PPLs, and Notice of Hearing were also sent to all DWSRF applicants with projects appearing on the Draft PPLs. Interested persons were invited to provide oral or written testimony at a public hearing and to submit written comments. The public hearing was held on September 18, 2013.

The public hearing was followed by an Open Forum where attendees or other interested parties met directly with DWSRF program staff to answer questions and learn more about the loan program. Following the public hearing, all testimony and comments were reviewed and considered by the DPH and this Final IUP, Final PPLs, and hearing report were published.

On April 9, 2014 minor revisions were made to the SFY 2014 and SFY 2015 PPLs. These revisions were distributed to all public water systems that submitted DWSRF eligibility applications for SFY 2014 and SFY 2015 and local officials. The revisions were also published on the DWSRF website on April 9, 2014 for a 30 day public review and comment period. The public comment period ended on May 9, 2014 and no public comments were received. These revised PPLs were subsequently finalized by DPH and are included in this IUP as Attachments D.1 and D.2.

X. ATTACHMENTS

- A. [Sources and Uses of Estimated Amounts of DWSRF Funds](#)
- B. [Priority Ranking System](#)
- C. [C.1.: DWSRF Eligibility Application](#)
[C.2.: Emergency Power Generator Program Eligibility Application](#)
- D. [D.1.: SFY 2014 Project Priority List](#)
[D.2.: SFY 2015 Project Priority List](#)
- E. [SWP Strategic Plan](#)
- F. [January 20, 2012 Letter from DPH to EPA Headquarters](#)
- G. [June 17, 2013 Letter from DPH DWS to EPA Region 1](#)
- H. [EPA Approval of Priority Ranking System](#)
- I. [Acronyms](#)