

Exhibit No. ___ (RS-2)
Docket No. UW-060343
Witness: Richard Sarver

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

ILIAD WATER SERVICE, INC.,

Respondent.

DOCKET NO. UW-060343

**EXHIBIT TO
RESPONSE TESTIMONY OF**

RICHARD SARVER, DEPARTMENT OF HEALTH

**ON BEHALF OF STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

DOH "Water Tap" newsletter, February 2006

October 4, 2006

2006 Drinking Water State Revolving Fund Program



WATER TAP

WASHINGTON'S DRINKING WATER NEWSLETTER

Low-interest loans for public water systems

Applications due May 8, 2006

The Drinking Water State Revolving Fund (DWSRF) Program provides loans to community and nonprofit non-community water systems for capital improvements that increase public health protection and ability to comply with drinking water regulations.

The loans typically have a 20-year term and are offered at a fixed interest rate. Water systems in extremely disadvantaged communities may qualify for 30-year loans. The basic interest rate is 1.5 percent. Systems in distressed counties and disadvantaged communities receive reduced rates.

The DWSRF program is jointly managed by the Washington State Department of Health Office of Drinking Water and the Public Works Board, in partnership with the Department of Community, Trade and Economic Development.

Although the U.S. Environmental Protection Agency's 2003 Drinking Water Infrastructure Needs Survey shows Washington's needs rose from about \$4 billion, reported in 1997 and 2001, to more than \$6.6 billion, our state's DWSRF funding has declined. EPA allocates funds to states based on their share of total national need. Washington's share of the total national grant decreased from 2.49 percent to 2.14 percent for the next four years.

A recent decision to reduce the DWSRF loan limit to \$3 million (\$6 million for joint projects) will help fund more projects and ensure funding for the highest priority projects. See pages 4 and 5 for a summary of funding options available to finance drinking water infrastructure projects.

Special Edition



Volume 21, #1 - Feb. 2006

Should you apply?

Eligible water systems and projects:

- Most Group A community systems, including mobile home parks.
- Most Group A nonprofit non-community systems.
- Group B systems converting to Group A.
- Retroactive financing for specific high-priority municipal projects.
- Projects that address a public health risk.
- Projects to upgrade outdated, deteriorated facilities.

Ineligible water systems and projects:

- For-profit non-community systems.
- State or federally owned systems.
- Projects already receiving assistance from the DWSRF tribal set-aside.
- Projects mainly for future growth, fire flow or dams.
- Projects for studies, assessments, operations or maintenance.
- Point-of-use treatment devices (in most cases).
- Projects that do not include a capital construction project.
- Non-community systems that are not federally recognized as nonprofit.
- Individual projects for multiple water systems submitted under one application.

For complete details, attend a workshop (see page 3). For DWSRF guidelines and application, visit http://www.doh.wa.gov/chp/dw/our_main_pages/dwsrf.htm

Successful Project Examples

Forest Glen Water Association – Pierce County

A number of water system deficiencies resulted in additional bacteriological testing and disinfection. The association received a .5 percent DWSRF loan to rehabilitate the water system. Improvements include a new well and storage tank, installation of service meters, backflow prevention devices, and an additional booster pump. When complete, the water system will be able to provide safe and adequate water to customers at a monitored, cost-effective rate structure.

A 2004 DWSRF loan will cover total project costs of \$135,069.

Pasadena Park Irrigation District #17 – Spokane County

The district's 1940s-era water lines are losing up to 75 percent of water, which is more than a million gallons a day. The cost of pumping this lost water is \$45,000 per year, an expense passed on to 4,515 customers. Leak detection indicates water main leaks at each joint, or every 20 feet. That means there may be as many as 240 entry points for contamination. There is potential for a catastrophic water line failure that would pose an immediate threat to public health and safety. The project will replace about 5,005 feet of old leaking water main and appurtenances. When complete, this project will reduce water loss by 75 percent, and save nearly \$36,000 in pumping costs.

The 2003 DWSRF loan at 1.5 percent will cover total project costs of \$379,684.

City of Castle Rock – Cowlitz County

Department of Ecology required water treatment plants that discharge backwash water into waters of the state to implement treatment or process changes capable of achieving required NPDES limits. The city's project is designed to comply with these requirements by eliminating filter backwash water discharge into the Cowlitz River. Backwash water will be pumped off-site where it will be infiltrated into the ground using infiltration ponds constructed in dredge spoil materials. In addition, modifications to treatment processes within the plant will

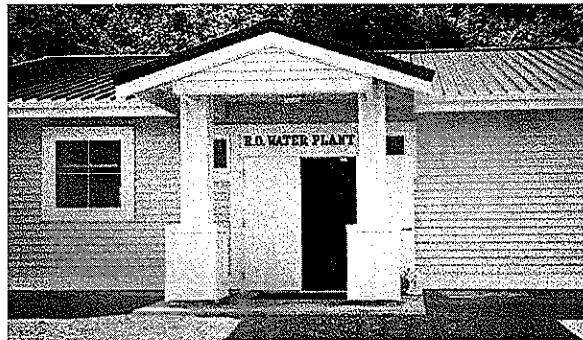
further reduce the amount of backwash water required. Future modifications may include reusing portions of the backwash water for irrigation and recycling back to the head of the plant.

A 1999 DWSRF loan at 2.5 percent covers the total project cost of \$372,692.

Asotin County PUD – Asotin County

The PUD serves about 20,000 people. As population has increased, so has the potential for microbial contamination of the public water system. The PUD has experienced non-acute coliform MCL violations, generally during peak usage. Problems will be addressed by installing chlorine disinfection systems in the water supply wells. Disinfection systems will be a combination of chlorine gas and on-site sodium hypochlorite generation systems. The project ensures safe drinking water for customers.

The 2000 DWSRF loan covers \$459,000 of \$479,036 total project costs.



Hat Island Community, Inc. – Snohomish County

To meet permanent and seasonal residential demand and address saltwater intrusion and rising chloride costs, the organization constructed a reverse-osmosis desalination plant that draws water from a seawater well.

A 1999 DWSRF loan covered \$816,000 of \$825,400 total project costs.

Drinking Water State Revolving Fund Facts

This low-interest loan program is for reimbursement of capital construction projects intended to improve drinking water systems and protect public health. Washington is expected to have about \$20 million for the 2006 funding cycle. Priority is given to water systems with water quality issues that pose a high public health risk, such as nitrate or coliform, and water systems with enforcement actions against them.

- Projects that bring systems into compliance receive bonus points.
- 25 percent of loans solve public health problems that would result in serious compliance actions if capital improvements were not made.
- 40 percent of loans have gone to privately owned water systems.
- 70 percent of loans have gone to very small systems serving fewer than 3,300 people.

DWSRF Workshops

2006 Application Workshops

Please indicate the session you plan to attend on the registration form.

Tumwater - February 28
Labor and Industries Bldg.
7273 Linderson Way SW
(360) 902-5804

Everett - March 1
Everett Station
Weyerhaeuser Room
3201 Smith Ave.
(425) 257-7777

Kelso - March 2
Red Lion Inn
510 Kelso Dr.
(360) 636-4400

Spokane - March 7
Hampton Inn
2010 South Assembly Rd.
(509) 747-1100

Ephrata - March 8
Ephrata City Hall
121 Alder St. SW
(509) 754-4601

Mark Your Calendar!

- **February:** Program guidelines and application forms online at http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm
- **February 28 - March 8:** Free application workshops at five locations.
- **May 8:** Drinking Water State Revolving Fund application deadline.
- **September 30:** Water System Plan submittal deadline.
- **November 30:** Water System Plan Amendment or Small Water System Management Program submittal deadline.
- **January 31, 2007:** ODW plan approval deadline.
- **February 2007:** Funds available.

Five locations and dates

Free Application Workshops

Application workshops are a good place to learn how the programs work and get answers to your project-funding questions. The workshops are free. Dates and locations are listed to the left.


Agenda and Registration Form

8:30 a.m. Public Works Trust Fund Construction Application Workshop

10:15 a.m. Break

10:30 a.m. Drinking Water State Revolving Fund Application Workshop

Seating is limited! Register in advance online at www.pwb.wa.gov/Workshop.asp or complete the form below and send it to the Public Works Board.

 cut along line, follow instructions below

Please complete this form and mail or fax it to:

Cathy Brockmann, Public Works Board
PO Box 48319, Olympia, WA 98504-8319
Fax (360) 664-3029 • Phone (360) 586-4120
Email: cathy.brockmann@pwb.wa.gov

I will attend the following workshop(s):

- Public Works Trust Fund
 Drinking Water State Revolving Fund

Name _____ Phone _____

Water System _____

Address _____

Workshop Location _____ # Persons Attending _____

Please send me:

_____ Copies of the Public Works Trust Fund guidelines and applications
(Available online at <http://www.pwb.wa.gov/>)

_____ Copies of the Drinking Water State Revolving Fund guidelines and applications
(Available online at http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm)

Summary of government grant and loan programs for drinking water projects

PLANNING				
Program	Eligible Projects	Eligible Applicants	Funding Available	How To Apply
Community Development Block Grant Planning Only Grant Program	<ul style="list-style-type: none"> Comprehensive plans Infrastructure plans Feasibility studies Community action plans Low-income housing assessments 	Must principally benefit low-to-moderate income people in non-entitlement cities and counties. <ul style="list-style-type: none"> Cities or towns with fewer than 50,000 people Counties with fewer than 200,000 people 	Grant <ul style="list-style-type: none"> Up to \$35,000 for a single jurisdiction and \$50,000 for multiple jurisdictions Upper limits available for priority public health planning 	Applications accepted year-round on a fund-available basis. Contact: Sheila Lee-Johnston (360) 725-3009 sheilal@cted.wa.gov
Public Works Trust Fund Capital Facilities Planning Program	<ul style="list-style-type: none"> Single or multiple system plans covering eligible systems Updates to existing capital facilities plans Environmental studies 	<ul style="list-style-type: none"> Counties, cities and special-purpose districts that meet certain requirements No school or port districts 	Loan <ul style="list-style-type: none"> Up to \$100,000 per jurisdiction each biennium 0 percent interest, 6-year term No match required Must complete plan in 18 months 	Applications accepted year-round on a fund-available basis. Call: Client Service Representative (360) 586-4122 http://www.pwb.wa.gov
Community Economic Revitalization Board Rural Project-Specific Planning Program	Project-specific feasibility and pre-development studies that advance community economic development goals for industrial sector business development.	Designated rural counties or rural natural resource areas: <ul style="list-style-type: none"> Counties, cities, towns, port districts, special districts Federally recognized tribes Municipal corporations, quasi-municipal corporations with economic development purposes 	Matching Grant <ul style="list-style-type: none"> Up to \$50,000 per application Requires 50 percent matching funds 	Applications accepted year-round. The board meets six times a year. Contact: Kate Rothschild (360) 725-4058 kater@cted.wa.gov

PRECONSTRUCTION				
Program	Eligible Projects	Eligible Applicants	Funding Available	How To Apply
Public Works Trust Fund Pre-Construction Program	Pre-construction activities such as preliminary engineering, design, bid-document preparation, right-of-way acquisition and environmental studies.	<ul style="list-style-type: none"> Counties, cities and special purpose districts that meet certain requirements No school or port districts 	Loan <ul style="list-style-type: none"> \$1 million per jurisdiction each biennium .5 to 2 percent interest 5 to 15 percent local match 5-year term, or 20 years if construction funds in hand 	Applications accepted year-round on a fund-available basis. Call: Client Service Representative (360) 586-4122 http://www.pwb.wa.gov

EMERGENCY				
Program	Eligible Projects	Eligible Applicants	Funding Available	How To Apply
Public Works Trust Fund Emergency Program	Projects necessary due to natural disaster or an immediate emergent threat to public health and safety. For domestic water systems, sanitary and storm sewers, solid waste, roads and bridges.	<ul style="list-style-type: none"> Counties, cities and special purpose districts that meet requirements No school or port districts 	Loan <ul style="list-style-type: none"> 4 percent interest rate No local match required 20-year maximum term 	Applications accepted year-round on a fund-available basis. Call: Client Service Representative (360) 586-4122 http://www.pwb.wa.gov
Community Development Block Grant Imminent Threat Grant Program	Repair water, sewer and drainage facility damages that pose an immediate, urgent threat to public health and safety. <ul style="list-style-type: none"> A formal disaster must be declared Project must be ineligible for emergency funds from the Public Works Trust Fund 	<ul style="list-style-type: none"> Non-entitlement cities or towns with fewer than 50,000 people Non-entitlement counties with fewer than 200,000 people 	Grant <ul style="list-style-type: none"> \$166,000 maximum Only eligible costs incurred after an emergency is formally declared can be reimbursed 	Applications accepted year-round on a fund-available basis. Contact: Bill Prentice (360) 725-3015 billp@cted.wa.gov

GENERAL		
Program	Description	Contact
Infrastructure Assistance Coordinating Council	The council is a nonprofit organization of state and federal agencies, local government associations, nonprofit technical assistance firms, tribes and universities. It helps Washington's communities identify and obtain resources needed to develop, improve and maintain public works programs.	Infrastructure funding and technical assistance is online at http://www.infracfunding.wa.gov/

CONSTRUCTION

Program	Eligible Projects	Eligible Applicants	Funding Available	How To Apply
Drinking Water State Revolving Fund	Drinking water system infrastructure projects aimed at increasing public health protection.	Publicly and privately owned community and nonprofit non-community water systems	Loan <ul style="list-style-type: none"> • 1 percent loan fee • \$3 million per jurisdiction per year • \$6 million for joint projects • 0 to 1.5 percent interest rate • 20-year term; 30 for extremely disadvantaged communities • No local match required 	Applications due May 8. Funds available spring 2007. Contact: Chris Gagnon (360) 236-3095 chris.gagnon@doh.wa.gov http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm
Community Development Block Grant Community Investment Fund	<ul style="list-style-type: none"> • Top priority projects on Washington Community Economic Revitalization Team's county list • Federal Empowerment Zone/Enterprise Community 	Must principally benefit low-to-moderate income people in non-entitlement cities and counties. <ul style="list-style-type: none"> • Cities or towns with fewer than 50,000 people • Counties with fewer than 200,000 people 	Grant <ul style="list-style-type: none"> • \$1 million maximum • Must clearly identify need for grant • Project must be ready to go • Must be a local priority project 	Applications accepted year-round on a fund-available basis. Contact: Dan Riebli (360) 725-3017 danr@cted.wa.gov
Community Development Block Grant General Purpose Grant Program	Final design and construction of domestic wastewater, side sewer connections, drinking water, storm water, and road, street or bridge projects.	Must principally benefit low-to-moderate income people in non-entitlement cities and counties. <ul style="list-style-type: none"> • Cities or towns with fewer than 50,000 people • Counties with fewer than 200,000 people 	Grant <ul style="list-style-type: none"> • Up to \$1 million • No match required, but local contribution and gap financing preferred 	Applications due in November. Notification the following March. Contact: Bill Prentice (360) 725-3015 billp@cted.wa.gov
Public Works Trust Fund Construction Program	Construct, repair and replace infrastructure for domestic water, sanitary and storm sewers, solid waste, road or bridge projects, and reasonable growth.	<ul style="list-style-type: none"> • Counties, cities and special purpose districts that meet requirements • No school or port districts 	Loan <ul style="list-style-type: none"> • \$7 million per jurisdiction each biennium • .5 to 2 percent interest • 5 to 15 percent local match • 20-year term maximum 	Applications due May 8. Funds available spring 2007. Call: Client Service Representative (360) 586-4122 http://www.pwb.wa.gov
U.S. Dept. of Agriculture Rural Development Rural Utilities Service – Water and Waste Disposal Direct Loans and Grants	Pre-construction and construction associated with building, repairing or improving drinking water, solid waste and wastewater facilities.	<ul style="list-style-type: none"> • Cities or towns with fewer than 10,000 people • Counties, special purpose districts, nonprofit corporations or tribes unable to get funds from other sources at reasonable rates and terms 	Loans; grants in some cases <ul style="list-style-type: none"> • Interest rates vary (Now 4.25 to 4.5 percent) • Up to 40-year loan term • No prepayment penalty • Limited predevelopment funds to help with project development 	Applications accepted year-round on a fund-available basis. Contact: Gene Dobry (360) 704-7733 eugene.dobry@wa.usda.gov http://www.rurdev.usda.gov/wa
Community Economic Revitalization Board Traditional and Rural Construction Program	Must support industrial sector business growth and job creation or retention. <ul style="list-style-type: none"> • Bridges, roads, railroad spurs, domestic and industrial water, sanitary and storm sewers • Electricity, natural gas and telecommunications • General purpose industrial buildings, port facilities 	<ul style="list-style-type: none"> • Counties, cities, towns, port districts, special districts • Federally recognized tribes • Municipal and quasi-municipal corporations with economic development purposes 	Loans; grants in unique cases <ul style="list-style-type: none"> • \$1 million maximum/project • Interest rates vary • 20-year term maximum • Minimum 25 percent match • Must demonstrate gap in public project funding and need for assistance 	Applications accepted year-round. The board meets six times a year, and approves funding. Contact: Kate Rothschild (360) 725-4058 kater@cted.wa.gov
Community Economic Revitalization Board Job Development Fund Program	Must support industrial growth and job creation or retention. <ul style="list-style-type: none"> • Bridges, roads, railroad spurs, domestic and industrial water, sanitary and storm sewers • Electricity, natural gas and telecommunications • General purpose industrial buildings, port facilities 	<ul style="list-style-type: none"> • Counties, cities, towns, port districts, special districts • Federally recognized tribes • Municipal and quasi-municipal corporations with economic development purposes 	Grant <ul style="list-style-type: none"> • \$10 million maximum • May only fund 33 percent of total public project costs • Must demonstrate gap in public project funding and need for assistance 	2007-09 Biennium: 1/6/06 - Pre-applications due 4/3/06 - Applications due 9/07 - Funding available following legislative approval Contact: Matt Ojennus (360) 725-4047 matthewo@cted.wa.gov

2006 DWSRF Loan Highlights

- Approximately \$20 million available.
- 1.5 percent basic interest rate on 20-year loans.
- 1 percent interest for systems in distressed counties.
- Reduced interest rates for systems in disadvantaged communities.
- No local match required.
- 1 percent loan fee.
- \$3 million loan limit per jurisdiction.
- \$6 million loan limit for projects involving multiple systems.
- Retroactive assistance for specific high-priority municipal projects.
- Most Group A community and nonprofit non-community water systems are eligible.
- Financing available to municipal or privately owned public water systems.

Loan fee

The loan fee is not subject to the loan limit. For example, for a project budgeted at \$3 million, the applicant may apply for \$3,030,000 – \$3 million for the project plus the \$30,000 loan fee. The loan fee is incorporated into the loan and retained by the state when the first loan draw is made. The loan fee is non-refundable. Incorporating the loan fee into the loan increases the project cost about 1 percent.

Water system plan requirement

To be eligible for a loan and remain on the funding list, applicants must have a current approved water system plan or small water system management program that includes the proposed project by Jan. 31, 2007. The Office of Drinking Water charges a fee for review and approval of planning, design and construction documents.

Separate vs. multiple applications

Projects not directly tied together must be submitted under separate applications. Exceptions occur when multiple project

components are required to bring a system back into compliance with drinking water rules; multiple components are required for functionality purposes; or when submitting identical projects that will receive identical scores.

Retroactive financing

Retroactive financing may be available for eligible municipal projects built after July 1, 1993. Eligible projects may include those addressing surface water issues, primary chemical contaminants, and capital construction projects related to compliance orders. Projects constructed/financed after Jan. 1, 2005 receive a higher score.

For more information

Call Chris Gagnon, program manager at (360) 236-3095 or the nearest ODW regional office:

Eastern Region – (509) 456-3115

Northwest Region – (253) 395-6750

Southwest Region – (360) 664-0768

DWSRF guidelines and application are online at http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm

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