

Exhibit No. ___ (RS-7)
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 2005

October 4, 2006



WATER TAP

WASHINGTON'S DRINKING WATER NEWSLETTER

2005 Drinking Water State Revolving Fund Program

Low-interest loans for public water systems

Are you planning to upgrade your water system? Is there an enforcement action or penalty against your system?

Water systems are required to deliver safe, reliable drinking water to their customers. However, aging infrastructure and changing regulations cause problems for many water systems that may not have the financial resources to resolve them. This can lead to an increased risk of contamination or an unreliable water supply.



The Drinking Water State Revolving Fund Program (DWSRF) can help finance capital construction costs to improve water quality for your consumers and compliance with drinking water regulations. About \$20 million is available and the basic interest rate is 1.5 percent. Systems in distressed counties and disadvantaged communities receive reduced interest rates.

Attend one of seven workshops throughout the state in March for information. To register complete the form on page 3.

Alternate funds for drinking water improvements

DWSRF is just one way to fund water system improvements in Washington. Several options for funding planning, preconstruction, and construction are summarized on pages 4 and 5.

2005 DWSRF Milestones

- **February:** Program guidelines and application forms are online at http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm
- **March 15-28:** Free application workshops at seven locations
- **May 9:** DWSRF 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, 2006:** Plan approval deadline for the Office of Drinking Water (ODW)
- **February 2006:** Funds available



Should you apply?

Here are some general guidelines. For complete detail, attend one of the workshops and view DWSRF guidelines and application online at http://www.doh.wa.gov/ehp/dw/our_main_pages/dwsrf.htm

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, or federal
- Projects mainly for future growth, fire flow, or dam
- Projects for studies, assessments, operations, and maintenance
- Point-of-use treatment devices (in most cases)
- Projects that do not include capital construction project
- Non-community systems that are not federally recognized as nonprofit

Successful Project Examples

Happy Valley Estates Homeowners Association – Clallam County

This non-profit community system was built in 1975 and is not adequate to meet the minimum needs of the 30 residents it serves. Seven additional parcels of land have rights to water from the system but have not been developed. Water loss due to leaks, breaks, and malfunctioning sensing mechanisms is estimated at 982,000 gallons a year. Since the system is in an economically distressed county, the association received a 1 percent loan to install corrosion control, replace leaking supply and distribution pipes, and add a new reservoir.

A 2003 loan covers the total project cost of \$237,891.

Harbor Hills Community Water Company – Island County

The system has iron and manganese levels in excess of state standards. Two 1.5 percent loans cover the costs of constructing reservoirs, water treatment facilities, and a booster pump station, and replacing an asbestos cement distribution main. The proposed improvements will supply current customers and, ultimately, other customers in the service area.

The 2003 loans cover total project costs of \$604,962.

City of Goldendale – Klickitat County

The city was getting water from a surface water source vulnerable to contamination. A .5 percent loan covers the cost of upgrading a ground water source, allowing the city to eliminate the surface water source. The project was eligible for retroactive financing, so the city could begin construction prior to receiving a contract. The project will resolve a Bilateral Compliance Agreement* between the city and the Department of Health.

A 2003 loan covers the total project cost of \$903,357.

Town of Lyman – Skagit County

Copper levels in the town's drinking water exceeded state standards. The town received a .5 percent loan to construct an aeration tower for corrosion control, a reservoir and a well house, water treatment and disinfection equipment, installation of security measures and service meters, and land acquisition. The project will resolve a Bilateral Compliance Agreement* between the town and the Department of Health.

A 2002 loan covers the total project cost of \$840,238.

Marvin Road Water Company – Thurston County

The company owns and operates several water systems in need of various improvements. Four loans with interest rates from zero to 1.5 percent will cover improvements to three systems, including two with red operating permits. The company will install corrosion control, construct source improvements, a new reservoir and booster pump, and replace parts of the water main.

The 2003 loans cover total project costs of \$722,029.

Stevens County Public Utility District – Stevens and Spokane counties

The PUD has a history of providing safe and reliable drinking water and is known for taking a leadership role by assisting small, struggling water systems. It manages 15 water systems with more than 4,000 customers and received a Drinking Water Week award last year. The PUD has nine loans with interest rates from 1 to 1.5 percent. Many of these projects will cover small system restructuring; one will fund creation of a Group A water system.

The loans cover \$3.3 million of \$3.5 million total project costs.

**A Bilateral Compliance Agreement between a water system and the Office of Drinking Water specifies the steps and timeline the system must follow to return to compliance.*

DWSRF 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 more than \$20 million for the 2005 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

2005 Drinking Water State Revolving Fund Application Workshops

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

March 15 – Spokane
Hampton Inn
2010 South Assembly Road
(509) 747-1100

March 16 – Pasco
Red Lion Inn
2525 North 20th Avenue
(509) 547-0701

March 17 – Wenatchee
Wenatchee Convention Center
201 N. Wenatchee Avenue
(509) 662-1234

March 22 – Everett
Snohomish County PUD
2320 California Street
(425) 783-8204

March 23 – Tacoma
La Quinta Inn
1425 East 27th Street
(253) 383-0146

March 24 – Kelso
Red Lion Hotel
510 Kelso Drive
(360) 636-4400

March 28 – Port Angeles
City Council Chambers
321 E. 5th Street
(360) 457-0411

2005 Application Workshops Seven locations and dates

The workshops are a good opportunity to understand how the programs work and to ask questions about funding your project. They are free and will be held on the dates and locations listed in the box to the left.

Agenda and Registration Form

- 8:30 a.m. Public Works Trust Fund Application Workshop
- 10:15 a.m. Break
- 10:30 a.m. Drinking Water State Revolving Fund Application Workshop
- 11:30 a.m. Lunch on your own
- 12:30 - 2 p.m. DWSRF Borrower's Contract Management Workshop

You may attend one or all of the workshops. Seating is limited, so 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 out and mail or fax it to:

Cathy Brockmann, Public Works Board
PO Box 48319, Olympia, WA 98504-8319
Fax (360) 664-3029 • Phone (360) 586-4135
Email: cathy.brockmann@pwb.wa.gov

Check all attend the following workshop(s):

- Public Works Trust Fund
- Drinking Water State Revolving Fund
- DWSRF Borrower's Contract Management

Name _____ Phone _____

Water System _____

Address _____

Workshop Location _____ # Persons Attending _____

Please send me:

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

_____ Copies of the Drinking Water State Revolving Fund guidelines and applications
(Available on the Internet 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 	<p>Projects must principally benefit low-to-moderate income people in non-entitlement cities and counties.</p> <ul style="list-style-type: none"> Cities or towns with fewer than 50,000 people Counties with fewer than 200,000 	<p>Grant</p> <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 	<p>Applications accepted year-round on a fund-available basis.</p> <p>Contact: Janice Roderick (360) 725-3013 janicer@cted.wa.gov</p>
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 	<p>Loan</p> <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 	<p>Applications accepted year-round on a fund-available basis.</p> <p>Contact: Client Service Representative (360) 586-4122 www.pwb.wa.gov</p>
Community Economic Revitalization Board Rural Project-Specific Planning Program	<p>Project-specific feasibility and pre-development studies that advance community economic development goals for industrial sector business development.</p>	<p>Eligible in designated rural counties or rural natural resource areas:</p> <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 	<p>Matching Grant</p> <ul style="list-style-type: none"> Up to \$50,000 per application Requires 50 percent matching funds 	<p>Applications accepted year-round. The board meets six times a year.</p> <p>Contact: Kate Rothschild (360) 725-4058 kater@cted.wa.gov</p>

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

EMERGENCY				
Program	Eligible Projects	Eligible Applicants	Funding Available	How To Apply
Public Works Trust Fund Emergency Program	<p>Repair unforeseen and unavoidable damage to domestic water systems, sanitary and storm sewers, solid waste, roads and bridges</p>	<ul style="list-style-type: none"> Counties, cities and special purpose districts that meet certain requirements No school or port districts 	<p>Loan; pending availability of funds</p> <ul style="list-style-type: none"> 4 percent interest rate No local match required 20-year maximum term 	<p>Applications accepted year-round.</p> <p>Contact: Client Service Representative (360) 586-4122 www.pwb.wa.gov</p>
Community Development Block Grant Imminent Threat Grant Program	<p>Repair water, sewer and drainage facility damages that pose an immediate, urgent threat to public health and safety.</p> <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 	<p>Grant</p> <ul style="list-style-type: none"> \$300,000 maximum; pending availability of funds Only eligible costs incurred after an emergency is formally declared can be reimbursed 	<p>Applications accepted year-round.</p> <p>Contact: Bill Prentice (360) 725-3015 billp@cted.wa.gov</p>

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.	Community and non-community water systems (includes for-profit and non-profit systems, but not federal or state-owned systems).	Loan <ul style="list-style-type: none"> • 1 percent loan fee • \$4 million per jurisdiction a year • 0 to 1.5 percent interest rate • 20-year term; 30 for extremely disadvantaged communities • No local match required 	Applications due in May. Funds available the next spring. Contact: Chris Gagnon (360) 236-3095 chris.gagnon@doh.wa.gov
Community Development Block Grant Community Investment Fund	<ul style="list-style-type: none"> • Top priority projects from the Washington Community Economic Revitalization Team county list • Federal Empowerment Zone/Enterprise Community 	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"> • \$1 million maximum • Need for grant must be clearly identified • Project must be ready to go 	Applications accepted year-round on a fund-available basis. Contact: Janice Roderick (360) 725-3013 janicer@cted.wa.gov
Public Works Trust Fund Construction Program	New construction and repair of existing infrastructure for domestic water, sanitary and storm sewers, solid waste, roads and bridge projects.	<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"> • \$10 million per jurisdiction each biennium • .5 to 2 percent interest, depends on local match • 5 to 15 percent local match • 20-year term maximum 	Applications due in May. Funds available the next spring. Contact: Client Service Representative (360) 586-4122 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 and wastewater facilities.	<ul style="list-style-type: none"> • Cities or towns with fewer than 10,000 people • Counties, special purpose districts 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 4.5 to 5 percent) • Up to 40-year loan term 	Applications accepted year-round on a fund-available basis. Contact: Kimberly Ott (360) 704-7733 kimberly.ott@usda.gov
Community Economic Revitalization Board Construction Program	Projects must support industrial sector business growth and job creation. <ul style="list-style-type: none"> • Bridges, roads and 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"> • Public facility projects required by private sector expansion and job creation • Project-specific studies in designated rural areas of the state 	Applications accepted year-round. The board meets six times a year. Contact: Kate Rothschild (360) 725-4058 kater@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.	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

GENERAL

Infrastructure Assistance Coordinating Council	The Infrastructure Assistance Coordinating Council is a nonprofit organization of state and federal agencies, local government associations, nonprofit technical assistance firms, tribes and universities. In existence for more than 16 years, it helps Washington's communities identify and obtain resources needed to develop, improve and maintain public works programs. Together with the council, communities are better able to provide the infrastructure needed to enhance, preserve and protect the state's environment and quality of life.	Infrastructure funding and technical assistance is online at http://www.infracfunding.wa.gov/
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2005 Loan Highlights

- More than \$20 million available.
- 1.5 percent basic interest rate
- 1 percent interest for systems in distressed counties.
- Reduced interest rates for systems in disadvantaged communities.
- No local match required.
- 1 percent loan fee.
- \$4 million loan limit per system.
- \$8 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 publicly owned 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 \$4 million, the applicant may apply for a \$4,040,000 loan - \$4 million for the project plus the \$40,000 loan fee. The loan fee is incorporated into the loan and is 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 ODW-approved water system plan or small water system management program that includes the proposed project, by Jan. 31, 2006.

When to submit 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 regulations.

multiple components are required for functionality purposes, and submitting identical projects that will receive identical scores.

Retroactive financing

Retroactive financing may be available for eligible municipal projects constructed after July 1, 1993. Eligible projects may include those that address surface water issues, primary chemical contaminants, and capital construction projects related to compliance orders. Projects constructed after Jan. 1, 2004, receive a higher score.

For more information

Potential applicants are encouraged to call the Office of Drinking Water for information.

DWSRF Program Manager
Chris Gagnon (360) 236-3095

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/out_main_pages/dwsrf.htm

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