October 1, 2008 – September 30, 2009
INTENDED USE PLAN
For the
WEST VIRGINIA DRINKING WATER
STATE REVOLVING FUND

State of West Virginia

Department of Health and Human Resources
Bureau for Public Health
Office of Environmental Health Services
Environmental Engineering Division

July 2008
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ATTACHMENT 3  Project Type Description and Funding List Detailed Description
ATTACHMENT 4  Legal Notice/Public Hearing Summary/Response to Comments
1. INTRODUCTION

The Safe Drinking Water Act (SDWA) amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems to finance the cost of the infrastructure needed to achieve or maintain compliance with SDWA requirements and protect public health. This Intended Use Plan (IUP) details the intended use for the State Fiscal Year 2009 (FFY 2008) Capitalization Grant funds. Congress appropriated these funds in FFY 2007, for $8,229,000 with a required state match of $1,645,800. The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) committed funding for the required 20 percent match at its July 11, 2007 meeting.

From the FFY 2008 Capitalization Grant, $6,089,460 (along with the state match, and projected earned interest and loan repayments through June 30, 2008), shall be used to construct projects. These funds are the Drinking Water Treatment Revolving Fund (DWTRF). The 2% Technical Assistance is used to contract a Continuing Education Training program for water operator training and certification. The 4% Administration funding is used to manage the DWTRF program. The 15% Local Assistance funding is used in implementing the required state Source Water Protection Program, assessing, and assisting in the technical, managerial and financial capacity of small systems. The 10% Program Management funding is used primarily for enhancing the Public Water Supply Supervision Program (PWSS).

2. PROJECTS

A. Project Funding Requirements

Approval from the Infrastructure Council is required for any project to receive DWTRF assistance. The Infrastructure Council with recommendations from its Water Technical Review Committee and the Funding Committee must approve all projects. Both of the following requirements must be considered for funding of projects:

1) On an annual basis, at least 15% of the funds in the DWTRF must go to systems serving less than 10,000 total persons.

2) Disadvantaged communities must receive 30% of the capitalization award in the form of a loan (terms: 30 year payment period, 0% interest, typically 1% administration fee). This requirement is stated in the state code, but is not a federal requirement.

B. The Project Priority List (PPL) Process

The PPL process uses an application that the water system must complete to be considered for DWTRF funding. This application process has improved the DWTRF program by listing only those systems that are truly interested in using low interest loan funds. This eliminates the need to bypass many projects that are not interested in using the DWTRF low interest loan money.
After each water system submits an application through the Infrastructure Council it:

1) Has its project scored using DWTRF criteria;

2) May be contacted concerning its interest in DWTRF monies; and

3) If the water system is interested in DWTRF, submits a form to be included on the next priority list that is put out to public notice.

Water systems that are the closest to going to bid, (e.g., the project design is complete and a PSC application has been submitted, etc.) are given top priority when giving out binding commitment letters, thus, some projects which have not received other funding or have not been designed will be bypassed in accordance with our IUP.

In the past, the DWTRF PPL has been advertised annually. In order to fund more projects, the PPL will be put out to public notice more frequently so that projects approved by the Infrastructure Council and have been scored and ranked, can be given binding letter of commitments sooner.

Also, prior to putting the PPL out to Public Notice, water systems that have been on the prior PPL, but have not received a funding commitment, will be contacted about the status of their project(s) and if they still potentially wish to be funded by the DWTRF.

Projects approved by the Infrastructure Council are prioritized as described in Attachment 1, DWTRF Project Priority Ranking System. Three categories (public health, regulatory compliance, and affordability) are used to determine project scoring. Projects that apply for DWTRF funding are ranked on a PPL (Attachment 2). The PPL includes the name of the public water system, description of the project, priority assigned, expected financial terms, size of community served, and whether or not the system is disadvantaged. The highest ranked projects on the PPL are contacted concerning their project status determine if funding from the DWTRF is appropriate and the project is ready to proceed.

Projects expecting to receive assistance from the DWTRF FFY 2007 Funds are on the Funding List (Attachment 3). Projects that rank lower on the PPL may still receive funding should one or more of the higher ranked projects be bypassed using the bypass procedure described below. Projects on the most recent PPL are also eligible to receive funding from previously awarded capitalization grants.
C. Bypass Procedure

Prior to implementing the bypass procedure, water systems listed on the PPL will be contacted to determine the status of their project. Based on the contact, OEHS will determine whether to bypass the project and select another project for funding commitment consideration. The following provisions will be used to bypass a project on the PPL:

1) Even though the project is for a system that is defined as a Significant Non-Complier (SNC) of the Safe Drinking Water Act, using EPA’s criteria for SNC designation, it is determined the proposed project will not ensure compliance.

2) The project is for a system that would not have operators properly certified to operate and maintain the system by the time the project is to receive funding.

3) The project has been fully funded by other entities.

4) The project changes significantly in scope and requires re-evaluation of the proposal using the DWTRF ranking system.

5) The project is unable to proceed in a timely manner.

6) All other funding is not committed. Should the bypassed project be within the fundable range, it may be funded at a later date.

7) The project costs significantly exceed the anticipated loan amounts. The project scope could be reduced to within the available DWTRF loan amount provided the ranking does not change.

8) The system declines the assistance.

9) The project is not determined as technically and financially feasible by the Infrastructure Council.

10) The project is unable to meet the schedule developed and agreed upon by the project sponsor and OEHS.

11) A lower ranked project attains a higher rating due to revised information, such as an environmental or public health emergency.

12) The water system is not considered as having the managerial, financial, and technical capacity, even after project completion, based upon a Capacity Development Assessment by OEHS.
When OEHS bypasses a project, the project will remain on the PPL for consideration at a future time. If the project no longer needs or wants DWTRF funding, it is removed from future PPLs. OEHS will provide technical assistance (as needed) with bypassed projects to ensure, to the maximum extent possible, that they are eligible for the future funding. OEHS will provide low interest design loans to increase the project pace, where needed.

In cases where a project is bypassed, the next project on the list (not being bypassed) will be funded within the funds available through the criteria outlined in this section. If a funded project comes in under cost, the remaining funds are used either to fund the next project on the PPL (if the cost does not exceed the available funds) or to fund other water system project needs as deemed appropriate by OEHS.

D. Rationale for Different Assistance

Eligible public water systems use the DWTRF assistance to fund the cost of infrastructure needed to achieve or maintain compliance with the SDWA and other drinking water regulations. Generally, loans are committed at 0% for 30 years for disadvantaged public water systems and 2% for 20 years for non-disadvantaged public water systems. Loans are assessed an administrative fee (usually 1%). To qualify for loans at an interest rate less than 2% or extended loan terms up to 30 years, the proposed user median household income (MHI) must be disadvantaged. OEHS is raising the disadvantaged criteria from 1.25% of MHI to 1.5% of MHI in this IUP. To be considered disadvantaged requires that the proposed rates for 4,000 gallons must not be less than 1.5 percent of the MHI. The increase of MHI to 1.5% will be consistent with other state funding agencies. OEHS will use this criterion for the PPL and will put this list out for public comment. OEHS may consider a reduction of the interest rate to keep user rates as close as possible to the disadvantaged criteria.

Although funds from the 1% administrative fee could be placed in accounts for project funding, set-aside funds, and state match funds, it is kept in a separate, non-project account. The monies from this non-project account can only be used for purposes directly related to the administration of the DWTRF. The fee will be reported separately in the annual audited financial statements.

The DWTRF provides design loans to eligible public water systems for projects on the PPL. The purpose of design loans is to make the projects more attractive for outside additional funding and to decrease the time between project design and construction. The loans will be offered at the same terms as those deemed for infrastructure improvements. Loan payback will begin the state fiscal quarter following design loan closure.

The DWTRF loan program will also provide deferred loan repayment schedules to make projects more affordable to water systems. In this case, the water system will start repayments following construction completion, but the initial payments will be reduced until one or more
existing debts are paid in full. Then, the water system will make accelerated DWTRF payments within the loan period. This will allow a level debt service payment to water systems to make infrastructure projects more affordable.

E. Amount to be used for Disadvantaged Communities

The West Virginia legislation authorizes the DWTRF requirement for disadvantaged communities. “The division of health shall, in accordance with the provisions of the safe drinking water act, establish a program for loan subsidies to disadvantaged communities. Thirty percent of the federal capitalization grants made to this state shall be dedicated to the funding of projects for disadvantaged communities” (Authority §16-13C-3). At least thirty percent of the cumulative federal funds will be used for disadvantaged communities as previously defined.

3. FINANCIAL STATUS

The DWTRF will be managed by OEHS with assistance (through a contract agreement) from the West Virginia Water Development Authority (WDA). The WDA maintains the financial records and insures bond conditions and audit requirements are met. OEHS manages the DWSRF set-aside funds.

A. Total amount of funds in the DWSRF (Construction & Set-Asides)

The amounts available for the DWSRF Program are as shown in Tables 1, 2, and 3. Table 4 shows the amounts disbursed and obligated as of the end of SFY 2006.

<table>
<thead>
<tr>
<th>TABLE 1. FUNDS AWARDED PRIOR TO/DURING STATE FISCAL YEAR 2007 (Construction &amp; Set-Asides)</th>
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<tr>
<td>U.S. Environmental Protection Agency (Total from 1998 through 2007)</td>
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<tr>
<td>WV State Match – Infrastructure Council (Total from 1998 through 2007)</td>
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<tr>
<td>WVDHHR: 10% Set-Aside State Match (Total from 1998 through 2007)</td>
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<tr>
<td>SUB-TOTAL</td>
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<tr>
<td>Loan Repayments (As of June 30, 2007)</td>
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<tr>
<td>Admin. Fee (typ. 1%)/Fee Invest Interest (As of June 30, 2007)</td>
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<tr>
<td>Interest Earnings WV DWTRF (As of June 30, 2007)*</td>
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<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

* Includes loans and investment interest earnings (not including interest on administrative fee).
NOTE: Reserve appropriation from SFY 1998 was $80,870 in SFY 2006.
TABLE 2. FUNDS AWARDED DURING STATE FISCAL YEAR 2008
(Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency (FS-993900007)</td>
<td>$8,229,300</td>
</tr>
<tr>
<td>WV State Match - Infrastructure Council (FS-993900007)</td>
<td>$1,645,860</td>
</tr>
<tr>
<td>WVDHHR: 10% Set-Aside State Match (FS-993900007) (Approp. 2007)</td>
<td>$780,870</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$10,656,030</strong></td>
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</tbody>
</table>

The full state match for the 10% set-aside is comprised of $780,870 cash and $42,060 from the 1993 PWSS Overmatch “Gift That Keeps on Giving”.

TABLE 3. FUNDS REQUESTED STATE FISCAL YEAR 2008
(Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Environmental Protection Agency (FS-993900008)</td>
<td>$8,229,000</td>
</tr>
<tr>
<td>WV State Match - Infrastructure Council (FS-993900008)</td>
<td>$1,645,800</td>
</tr>
<tr>
<td>WVDHHR: 10% Set-Aside State Match (FS-993900008) (Approp. 2008)</td>
<td>$411,450</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$10,286,250</strong></td>
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</tbody>
</table>
## TABLE 4. SET-ASIDE FUNDS DISBURSED OR PROJECTED THROUGH STATE FISCAL YEAR 2008/CONSTRUCTION LOANS AND COMMITMENTS THROUGH JUNE 2008

(Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Set-Aside Funds</th>
<th>Funds Received Prior to FFY 2008</th>
<th>Funds Projected During FFY 2008</th>
<th>Total Incoming Funds</th>
<th>Funds Disbursed (see note 1)</th>
<th>Funds Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration (4%)</td>
<td>$2,714,444</td>
<td>$329,172</td>
<td>$3,043,616</td>
<td>$2,072,961</td>
<td>$970,655</td>
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<tr>
<td>Small Systems Technical Assistance (2%)</td>
<td>$1,494,425</td>
<td>$164,586</td>
<td>$1,659,011</td>
<td>$1,409,000</td>
<td>$250,011</td>
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<td>Program Management Federal (10%)</td>
<td>$6,774,162</td>
<td>$822,930</td>
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<tr>
<td>Small Systems Technical Assistance (2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Program Management State Match (10%)</td>
<td></td>
<td></td>
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<tr>
<td>Total Program Management</td>
<td>$13,548,324</td>
<td>$1,603,800</td>
<td>$15,152,124</td>
<td>$9,051,984</td>
<td>$6,100,140</td>
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<td>Local Assistance (15%)</td>
<td>$9,058,581</td>
<td>$1,234,395</td>
<td>$10,292,976</td>
<td>$5,715,741</td>
<td>$4,577,235</td>
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<tr>
<td>Total Set-Aside Funds</td>
<td>$26,815,774</td>
<td>$3,331,953</td>
<td>$30,147,727</td>
<td>$18,249,686</td>
<td>$11,898,041</td>
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<td>Construction Assistance Funds</td>
<td>$75,335,200</td>
<td>$5,678,217</td>
<td>$81,013,417</td>
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<tr>
<td>20% State Match</td>
<td>$15,067,040</td>
<td>$1,645,860</td>
<td>$16,712,900</td>
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<tr>
<td>Loan Repayments</td>
<td>$4,786,627</td>
<td>$1,519,204</td>
<td>$6,305,831</td>
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<tr>
<td>Interest on Loans</td>
<td>$1,044,034</td>
<td>$251,738</td>
<td>$1,295,772</td>
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<tr>
<td>Interest Earnings</td>
<td>$1,518,833</td>
<td>$596,165</td>
<td>$2,114,998</td>
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<tr>
<td>Total Funds For Loans</td>
<td>$97,751,734</td>
<td>$9,691,184</td>
<td>$107,442,918</td>
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<td>Closed Loans (June 2008)</td>
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<td>$62,913,309</td>
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<td>Letters of Commitment</td>
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<td>$20,851,360</td>
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<tr>
<td>Total Committed Funds</td>
<td></td>
<td></td>
<td>$83,764,669</td>
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<tr>
<td>Funds Remaining</td>
<td></td>
<td></td>
<td></td>
<td>$23,678,249</td>
<td></td>
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<tr>
<td>Fees on DWTRF Assistance (Including Interest Earnings)</td>
<td>$680,756</td>
<td>$246,126</td>
<td>$926,882</td>
<td>$0</td>
<td>$926,882</td>
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<tr>
<td>Total Program Funds</td>
<td>$125,248,264</td>
<td>$13,269,263</td>
<td>$138,517,527</td>
<td>$102,014,355</td>
<td>$36,503,172</td>
</tr>
</tbody>
</table>

Note 1: These disbursed set-aside funds have been reconciled to WV DWSRF Annual Reports.
B. Uses of the New Funds (Construction & Set-Asides)

Below is a summary of the amounts to be used for each activity. Any funds not used for set-aside activities will be used for construction projects. Please note that the DWTRF interest earnings are utilized to supplement the construction funds, specifically for project overruns, as necessary.

### TABLE 5. USES OF NEW/REQUESTED FUNDS (Construction & Set-Asides)

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Federal Funds</th>
<th>Infrastructure Council</th>
<th>State Program Management</th>
<th>Admin Fee/Admin Interest**</th>
<th>Interest Earnings</th>
<th>Loan Repayments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$329,160</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$329,160</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>$164,580</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$164,580</td>
</tr>
<tr>
<td>State Program Management</td>
<td>$411,450</td>
<td>$0</td>
<td>$411,450</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$822,900</td>
</tr>
<tr>
<td>Local Assistance</td>
<td>$1,234,350</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,234,350</td>
</tr>
<tr>
<td>Construction</td>
<td>$6,089,460</td>
<td>$1,645,800</td>
<td>$411,450</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$7,735,260</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,229,000</strong></td>
<td><strong>$1,645,800</strong></td>
<td><strong>$411,450</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$10,286,250</strong></td>
</tr>
</tbody>
</table>

** Administrative Fees, Interest Earnings, and Loan Repayments are included in the grant application.

C. Types of projects to be funded

The list of projects OEHS is considering to fund is in Attachment 3. These projects include water treatment plant upgrades, distribution and storage upgrades, and extensions of existing systems. Projects solely for economic growth or projects solely for fire protection are not eligible for DWTRF assistance.

4. GOALS OF THE DWSRF

A. Short Term Goals

1) Improve the DWTRF utilization rate to meet or exceed the regional and national average. The DWTRF fund utilization rate as determined by the EPA was 63% in 2005, 76% in 2006, and 73% in 2007. The projected 2008 utilization rate will drop slightly from the prior year to approximately 71% due to delays with several project closings. The utilization rate, which has historically been lower than the national average (86%) and all states within Region III (average is 88%), is impacted due to numerous reasons. Activities listed below should enable West Virginia to utilize its funds at the national and EPA Region III's average utilization rate. It is anticipated that in 2009 the utilization rate will approach the national average of 86%.
In response to the SFY2006 Program Evaluation Report, OEHS submitted its top priority items to be implemented to improve the DWTRF utilization rate. These items are listed below:

- Continue use of an application process for water systems expressing a specific interest in obtaining DWTRF funds.
- Recommend DWTRF funding for Infrastructure Council applications when the water system could take a DWTRF loan and not exceed a reasonable percent of medium household income (MHI).
- Generate and advertise a project priority list more frequently than once per year to enable water systems more access to the DWTRF fund.
- Market the DWTRF fund at funding agency meetings and utility system conferences.
- Over commit DWTRF funds but not exceed reasonable federal funding commitments, repayments, and interest.

2) Provide design loans (or grants if available) to water systems to enable them to fund the design stage of the project to move the project forward at a faster pace. Projects tend to stagnate because engineering consultants are reluctant to absorb the up-front design costs until the project goes to bid. They typically require water systems to fund the design and other soft costs through a design loan.

3) Provide financial assistance to eligible drinking water systems to eliminate drinking water problems and improve drinking water quality in the state, closing 75% of the construction loans within 18 months.

4) Protect source water from future contamination through Source Water Assessment and Protection (SWAP) and WHP programs:
   - Continue developing and implementing SWAP/WHP programs.
   - Determine if water sources are groundwater under the direct influence (GWUDI) of surface water.
   - Sponsor a symposium or workshop exchanging source water protection information and ideas.
   - Continue collaborating with West Virginia Department of Environmental Protection’s (WVDEP) Underground Injection Control (UIC) Program.
   - Update and expand Geographic Information System (GIS) capabilities.

5) Continue implementation of the Capacity Development Strategy including assisting existing public water supplies in acquiring and maintaining the technical, managerial, and financial capacity to comply with the federal SDWA. Provide assistance to ensure that all new community water supplies and new non-transient non-community supplies have the technical, managerial, and financial capacity to comply with current regulations and those regulations likely to be in effect, when the system initiates operations.
6) Continue development, enhancement, and improvement of the Public Water Supply Supervision (PWSS) through improved methodology and consistency of the sanitary surveys. This includes completion of a full complement of staffing in the district offices and final development of an automated data collection system for private laboratories to forward results of total organic compounds.

7) Continue to implement an operator training continuing education program focusing on training course/instructor criteria and operator training requirements.

8) Continue to participate in the monthly meetings of the Infrastructure Council by performing technical reviews on all proposed water projects; and, coordinate and recommend the most feasible funding sources in accordance with established state rules and procedures.

9) Enact “Summary of OEHS Action Items” based on comments by the US EPA during the SFY 2008 Site Visit.

10) Efficiently and effectively administer the supplemental set-aside work plan grant and contractor activities:

- Preliminary Evaluation, Planning, and Project Design Grants
- Source Water Protection Grants
- Geographic Information System Mapping
- Capacity Development and Source Water Assistance Program
- Area Wide Optimization Program Performance Based Training
- Source Water Security Enhancements Grants
- WV Utility Management Institute
- Water Distribution and Chief Operator Training

B. Long Term Goals

1) Provide the necessary infrastructure replacement, upgrade, and coverage as determined in the Infrastructure Council’s 2005 Public Water and Systems Inventory and Assessment Report (approximately 725 million dollars needed for drinking water infrastructure) and the 2003 EPA Drinking Water Needs Survey and Assessment. This is done with the overall goal of upgrading water quality for existing public water customers and providing water to private customers whose water currently does not comply with the SDWA. The above will be achieved through the following:

- Capacity Development Program: Continue to conduct financial, managerial and technical capacity assessments on public water systems and provide necessary assistance to ensure compliance with the SDWA.
October 1, 2008 – September 30, 2009 Intended Use Plan
July 2008

- Continue to participate in the Infrastructure Council process on a monthly basis to oversee the technical review committee for the technical review of applications and to maximize all available state and federal funding sources.

2) Continue to develop the Safe Drinking Water Information System (SDWIS) database of existing public water systems to include:

- System infrastructure mapping
- System inventory
- Compliance history
- Sampling history
- Operator certification

This can be utilized to quickly assess an existing system as well as evaluate proposed new projects/systems. The database will also have capability of interfacing with other existing databases.

3) Develop the DWTRF to ensure the long term perpetuity of the fund where after the initial capitalization years, the loan repayments in the fund will be used to finance additional projects. Long term funding will be achieved as follows:

- Conduct financial, managerial, and technical capacity assessments under the Capacity Development Program on all potential loan recipients to assure fiscal responsibility.
- Monitor repayment activity of loan recipients and take aggressive action for collection of delinquent payments from loan recipients.
- Market the DWTRF through various conferences (WV Rural Water Association Conference, American Water Works Association, Infrastructure Council Meetings, etc.), pamphlets/brochures, and quarterly newsletters on DWSRF program activities.
- Provide drinking water infrastructure design loans as needed to increase the project completion rate.
- Analyze the ability to meet long term perpetuity of the fund by using the EPA financial planning model. Use the EPA financial Planning Model to determine the impacts of using grants, in the long term and their impacts on the long term financial viability of West Virginia DWTRF’s program, especially if Congress ends the Capitalization Grant in 2018. The EPA financial planning model can be used to determine the amounts of upfront grants given to disadvantage communities as well as debt forgiveness due to the inability for a community in a distressed area to pay a loan back. It can also be used to evaluate the effects of various loan rates and terms to ensure the perpetuity of the DWTRF program. OEHS believes its current interest rates and terms are competitive to other state and federal funding agencies and any increase in rates would be detrimental to the fund pace. The administrative fee on DWTRF loans is at an optimum level to not
impede the utilization rate and provide funds for future staff use should the Capitalization Grants end.

4) Maintain the DWTRF utilization rate to the national average, or EPA Region III average.

5) Close the DWTRF loans to recipients within twelve months of a binding letter of commitment.

5. SET-ASIDE ACTIVITIES

In addition to the DWTRF construction fund, there are four “set-aside” or non-project accounts to be administered by OEHS. These separate accounts include Administration of the Loan Program, Technical Assistance, State Program Management, and Local Assistance.

The different set-aside accounts are specified in the SDWA to enable the state to finance the cost of administering and managing the DWTRF program and supporting local public water systems. These accounts are described in more detail below.

The goals, objectives, methods, outputs, and outcomes for these set-asides are located in the work plan.

A. Administration ($329,160)

The SDWA authorizes the state to use 4% of the Capitalization Grant for administration of the DWTRF program. The full 4% is being requested for this activity. The state plans to use 4% of the Capitalization Grant solely for administration costs of the program. Administrative tasks include but are not limited to:

1) Developing legislation regarding issues related to the DWSRF.
2) Preparing the Capitalization Grant agreement.
3) Developing memorandums of understanding between federal and state agencies.
4) Reviewing West Virginia Infrastructure Council applications.
5) Preparing the IUP.
6) Providing project review, priority ranking procedures, environmental reviews, and required DWTRF project information coordination (project scheduling, advertisements, loan closure).
7) Providing project inspections, administration of the funds.
8) Tracking and accounting of the funds.
9) Auditing of the funds.
10) Processing payment requests, and managing loan repayments.

The DWTRF program will fully utilize the WDA, which already administers state-funded construction loans to public wastewater and water systems. OEHS, WDA, Infrastructure Council, State Treasurer, and Auditor’s Offices have been involved in coordinating efforts to
expedite disbursing construction funds to the state’s public water systems and meeting critical construction needs.

B. State Program Management ($411,450 - Federal, $411,450 - State Match)

    The SDWA authorizes the state to use up to 10% from the federal Capitalization Grant to support the State Public Water Supply Supervision (PWSS) program, source water protection, and operator certification programs. This year only 5% of the funds are being requested. The balance will be added to the construction fund. The state reserves the right to request the 5% of state program management set aside funds from future grants if needed. These funds require a dollar-for-dollar match and this match is made through state appropriations. The activities subsidized from this account include enhancement of the PWSS program, Operator Training and Certification, Engineering Assistance, Area Wide Optimization Program, and Data Information System Management.

C. Technical Assistance ($164,580)

    The SDWA authorizes the state to use up to 2% of each capitalization grant to provide technical assistance to small water systems. The full 2% is being requested for this activity. Small water systems are defined as those that serve less than 10,000 persons. These set-aside funds will be used for technical, financial, and managerial continuing education training to water system operators to meet their certification and training requirements. A contractor, meeting the state requirements, will coordinate the technical assistance program.

D. Local Assistance and Other State Activities ($1,234,350)

    The SDWA authorizes the state to use up to fifteen percent (15%) of the federal capitalization grant for this set-aside, but no more than ten percent (10%) may be used for any one activity. The full 15% is being requested for this activity. These set-aside funds will be used for Capacity Development Assistance needs, Wellhead Protection (WHP) Program, Water Awareness Program, source water symposium, underground injection control program, and improving Geographical Information System (GIS) capabilities.

6. PUBLIC COMMENT PROCESS

    The public comment period for this IUP occurred in July 2008. OEHS posted the IUP on the web site and made it available at all district offices and the central office. The draft IUP was mailed out to key stakeholders for comment. A public notice was published in the West Virginia Register (state register) in June 2008 concerning the web posting and public comment period.

    One comment was received from the Town of Bath concerning an increase in the amount of DWTRF funds requested. They increased their request from $1,325,000 to $3,300,000. There were no other comments submitted.
The public hearing was held on July 30, 2008 at 1 Davis Square as advertised in the public notice. One person attended the meeting in addition to OEHS staff. That person was one of the legal counsels for the DWTRF program and they did not have any comments.

The IUP has been updated to reflect the change in funding requested for the Town of Bath. However it does not have any effect on the EPA grant since the top ranked project will require all available grant funds.
ATTACHMENT 1

DWTRF Project Priority Ranking System
DWTRF Project Priority Ranking System

(1) PUBLIC HEALTH (0 to 50 points - 50 points maximum)
Up to fifty points may be given to a project for public health. The public health categories are listed below. A particular project may apply to several categories. In such cases, the project will be given the highest rating.

(A) Projects to correct acute health hazards - (50 points) Fifty points will be given to projects that propose to eliminate a problem that poses an acute, ongoing health hazard to the consumer. Examples are listed below.

- Projects that address documented nitrate or nitrite violations.
- Projects that address documented exceedances of primary inorganic MCL’s
- Projects that address a problem where a system has been put on the EPA SNC list for turbidity violations. The project must ensure compliance in order to receive DWTRF assistance.
- Projects that address a problem where a system has been put on the EPA SNC list for microbiological violations. The project must ensure compliance in order to receive DWTRF assistance.
- Projects that propose filtration for surface water source that currently do not have filtration.
- Projects that propose disinfection for a system that currently do not have disinfection.
- Projects that address documented water outages for extended periods (1 week) due to system or design deficiencies.

(B) Correct chronic health hazards - (40 points) Forty points will be given to projects that propose to eliminate a chronic health hazard to the consumer. Examples are listed below.

- Projects that address a turbidity violations for a system that has not yet been put on the EPA SNC list.
- Projects that address a microbiological violations for a system that has not yet been put on the EPA SNC list.
- Projects that address exceedances of the Lead and Copper Rule.
- Projects that address documented exceedances of primary organic MCL’s.
- Projects that address documented exceedances of radiological MCL’s.
- Projects that address treatment technologies for the SWTR.
- Projects that address documented water outages due to system or design deficiencies.
(C) _____ Correct periodic health hazards - (30 points) Thirty points will be awarded to projects that propose to eliminate a documented health hazard which has occurred periodically. Examples are listed below.

- Projects that address low chlorine residuals.
- Projects that address periodic exceedances of a primary MCL.
- Projects that address periodic water outages to some customers for at least a day due to design or system deficiency.
- Projects to bring existing facilities to current design standards which affect water quality: treatment, chemical application, pumping facilities, finished storage and distribution systems.

(D) _____ Correct potential health hazards - (20 points) Twenty points will be given to projects that propose to eliminate potential health hazards. Examples are listed below.

- Projects for line extensions to areas with poor water quality or limited quantity.
- Projects to develop new source to augment existing sources where there is no other health hazard associated with the project. Dams and reservoirs are not eligible.
- Projects for installation / upgrade of waste disposal facilities.

(E) _____ System Improvements - (10 points) Ten points will be given to projects that propose general system improvements. Examples are listed below.

- Projects to replace / repair old, undersized, or malfunctioning equipment.
- Projects to replace leaking water line.
- Projects to improve aesthetic quality of the water such as iron, manganese, taste and odor.

(2) _______ REGULATORY COMPLIANCE (0 to 20 points, 20 points maximum)

(A)_____ Correction of chronic non-compliance - 20 points
Compliance with administrative orders, agreements, statutes, or regulatory deadlines.

(B)_____ Compliance with periodic and potential non-compliance - 10 points
Compliance with sanitary survey recommendations, NPDES permits, new regulations, or design standards.

(C)_____ Protection against non-compliance -5 points
Compliance with proposed regulations.

(D)_____ Line extensions with documented cases of fecal coliform - 3 points
(3) _____ **AFFORDABILITY** (0 to 30 points)

Rates = 0% to 0.5% MHI  (0 points)
Rates = 0.51% to 1.0% MHI  (5 points)
Rates = 1.01% to 1.5% MHI  (20 points)
Rates = 1.51% to 2.0% MHI  (25 points)
Rates > 2.0% MHI  (30 points)

Note:  MHI = median household income by magisterial district as published by the West Virginia Infrastructure and Jobs Development Council.
Rates based on 4,000 gallons.

<table>
<thead>
<tr>
<th>Public Health</th>
<th>Compliance</th>
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<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Affordability</th>
<th>Total Points</th>
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</thead>
<tbody>
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</table>

**Tie Breaker:**
In the event that two or more systems have the same score the following will be used as the tie breaker.

1. Whichever system has the highest public health rating will be ranked highest.

2. In the event there is still a tie, then the system with the lower population served will be ranked higher.

**Definitions**

EPA -- Environmental Protection Agency  
MCL -- Maximum Contaminant Level  
MHI -- Median Household Income  
SNC -- Significant Non-Compliance  
SWTR -- Surface Water Treatment Rule
ATTACHMENT 2

Project Priority List/Comprehensive List
<table>
<thead>
<tr>
<th>RANK</th>
<th>SYSTEM</th>
<th>COUNTY</th>
<th>PROJECT NAME</th>
<th>PROJECT BENEFIT</th>
<th>NUMBER</th>
<th>POPULATION</th>
<th>DISADVANTAGED</th>
<th>REQUESTED DWTRFTOTAL</th>
<th>TOTAL PROJECT COST</th>
<th>DWTRF AMOUNT COMMITTED</th>
<th>GRANT AMOUNT REMAINING</th>
<th>BYPASS RATIONALE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>City of White Sulphur Springs</td>
<td>Greenbrier</td>
<td>Water Plant and Distribution System Improvements</td>
<td>This project will rehabilitate the existing water treatment plant and distribution system. The project will install a second treatment train to provide redundant capabilities and reduce its 20+ hour per day operation to allow for maintenance repairs. The distribution system has 60% water loss as a result of deteriorated lines causing water outages and boil water notices. Much of the pipe is made of asbestos cement and exposes workers to an asbestos health hazard during repairs. Most of the lines are 50+ years old and has built up deposits in the lines reducing system pressures below acceptable standards.</td>
<td>2008W-1021</td>
<td>4,640</td>
<td>Yes</td>
<td>$9,780,000</td>
<td>$9,780,000</td>
<td>$7,735,260</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2</td>
<td>Town of Bath</td>
<td>Morgan</td>
<td>Distribution System Replacement</td>
<td>This project will replace approximately 7 miles of distribution line to correct a 63% water loss. This water loss has caused the plant to operate nearly 24 hours per day and does not permit time for maintenance repairs. The inability to maintain the water system will cause water outages and eventual boil water notices. The town is under a Public Service Commission moratorium and is not permitted to supply water to the surrounding residents that are in need of a public water supply due to inadequate and poor quality sources from their wells.</td>
<td>2008W-1052</td>
<td>4,042</td>
<td>Yes</td>
<td>$3,300,000</td>
<td>$4,500,000</td>
<td>$0</td>
<td>$0</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>City of Welch</td>
<td>McDowell</td>
<td>Water Storage Tank Replacement</td>
<td>This project will replace three deteriorated water storage tanks and replace them with two new tanks. The project will also recondition three other tanks and one concrete reservoir. The storage facilities of this water system need these upgrades and repairs to ensure adequate water service to avoid water outages and boil water notices. The water system will be supplying potable water to a new federal prison and without this project, the system will not be able to maintain its tanks and provide reliable water to its customers.</td>
<td>2008W-1015</td>
<td>3,120</td>
<td>Yes</td>
<td>$926,000</td>
<td>$926,000</td>
<td>$0</td>
<td>$0</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>City of Keyser</td>
<td>Mineral</td>
<td>Water System Improvements</td>
<td>This project will rehabilitate the existing water treatment plant and distribution system. The project will upgrade the plant capacity to reduce its 20+ hour per day operation to allow for maintenance repairs. The distribution system has 40% water loss as a result of deteriorated lines that will eventually result in water outages and boil water notices.</td>
<td>TBD</td>
<td>6,912</td>
<td>Yes</td>
<td>$9,100,000</td>
<td>$9,100,000</td>
<td>$0</td>
<td>$0</td>
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</tbody>
</table>
ATTACHMENT 3

Funding List Detailed Description
<table>
<thead>
<tr>
<th>Ranking</th>
<th>System/Funding</th>
<th>County</th>
<th>Project Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>City of White Sulphur Springs DWTRF-$7,735,260 PROJECT-$9,780,000 30 year term, 0% interest, 1% administration</td>
<td>Greenbrier</td>
<td>This project will rehabilitate the existing water treatment plant and distribution system for the 4,640 residents supplied from this system. The project will install a second treatment train to provide redundant capabilities and reduce its 20+ hour per day operation to allow for maintenance repairs. The state standard is a maximum of 16 hours per day of operation. The distribution system has 60% water loss as a result of deteriorated lines causing water outages, potential for contamination, and boil water notices. Much of the pipe is made of asbestos cement and exposes workers to an asbestos health hazard during repairs. Most of the lines are 50+ years old and have built up deposits in the lines reducing system pressures below the acceptable standard of 20 psig resulting in potential contamination to the water system. An additional well will be installed to insure an adequate supply of water for the residents to ensure water outages are prevented. The project will replace 8 miles of existing water lines; replace malfunctioning fire hydrants and valves; add a third raw water well; install a 1,200 GPM dual train catalytic precipitator reactor water treatment plant; expand the chlorine contact tank and add baffles; two (2) 600 to 1,200 GPM high service pumps; two (2) 2,200 GPM filter backwash pumps; SCADA system; and renovate and expand the existing plant building.</td>
</tr>
</tbody>
</table>
ATTACHMENT 4

Legal Notice/Public Hearing Summary/Response to Comments
Notice of Public Hearing and Public Comment Period

The Bureau for Public Health, Office of Environmental Health Services, will hold a public meeting on July 30, 2008 from 1:30 p.m. to 2:30 p.m. to accept written or oral comments on the proposed October 1, 2008 through September 30, 2009 Draft Intended Use Plan (IUP) for the West Virginia Drinking Water State Revolving Fund program, including the construction loan fund. The hearing will be held at the West Virginia Bureau for Public Health, Environmental Engineering Division, 1 Davis Square, Suite 200, Capitol and Washington Streets, Charleston, WV and is open to the public.

A copy of the proposed IUP will be available for public review on or before June 19, 2008 at the following locations:

Charleston Central Office  (304) 558-6749
Wheeling District Office  (304) 238-1145
Philippi District Office  (304) 457-2296
Kearneysville District Office  (304) 725-9453
Beckley District Office  (304) 256-6666
St. Albans District Office  (304) 722-0611

A copy of the proposed IUP will also be available for public review on or before June 19, 2008 on the Bureau for Public Health website at www.wvdhhr.org/oehs/eed/i&cd.

The public may submit written comments by mail, e-mail, facsimile (304-558-0691) or other delivery to:

Robert W. DeCrease  
Bureau for Public Health  
Office of Environmental Health Services  
Environmental Engineering Division  
Capitol and Washington Streets  
1 Davis Square, Suite 200  
Charleston, WV 25301-1798  
Email: robertdecrease@wvdhhr.org

All comments must be received by 4:30 p.m., July 30, 2008.

Please include your name, return address, e-mail address, daytime telephone number and indicate any organization that you may represent. Prior to any final action on this IUP, the Bureau for Public Health will address only comments relevant to IUP issues.