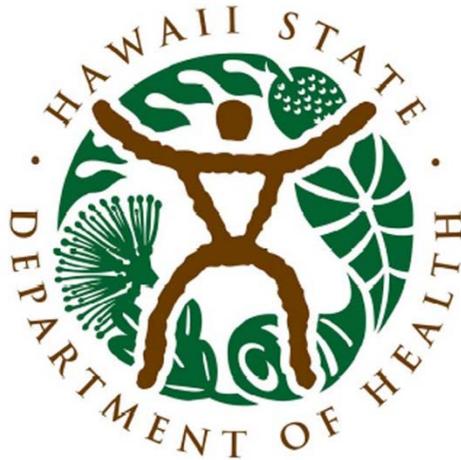


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DRINKING WATER TREATMENT REVOLVING LOAN FUND  
INTENDED USE PLAN FOR  
THE STATE OF HAWAII FISCAL YEAR (SFY) 2017 AND  
THE FEDERAL FISCAL YEAR (FFY) 2016 APPROPRIATION



Submitted to the  
U.S. Environmental Protection Agency  
Region IX

By the  
State of Hawaii  
Department of Health  
Environmental Management Division  
Safe Drinking Water Branch

April 2016

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## I. PROGRAM OVERVIEW

### A. INTRODUCTION

In 1996, the Drinking Water State Revolving Fund (DWSRF) was established by Congress with the passage of Federal amendments to the Safe Drinking Water Act, hereafter referred to as “the Act” (Public Law 104-182). Section 1452 of the Act authorized the Administrator of the Environmental Protection Agency (EPA) to award capitalization grants to States for the purpose of establishing a loan program to finance drinking water infrastructure projects necessary for public water systems to attain and maintain compliance with Act requirements and to further the health protection objectives of the Act.

On May 2, 1997, Hawaii’s Governor signed legislation to establish the Drinking Water Treatment Revolving Loan Fund (Act 218/97) in the State of Hawaii. The Drinking Water Treatment Revolving Loan Fund, more commonly known as DWSRF, complies with the provisions of the Act, Section 1452, for the State of Hawaii.

The State of Hawaii, Department of Health (DOH) developed this Intended Use Plan (IUP) for the State Fiscal Year (SFY) 2017. This IUP will be submitted to the EPA as part of the DOH’s application for the DWSRF FFY 2016 Capitalization Grant Appropriation.

The DOH, Environmental Management Division, Safe Drinking Water Branch (SDWB) administers Hawaii’s DWSRF Program. Administration is in accordance with Hawaii Revised Statutes, Chapter 340E, and Hawaii Administrative Rules, Chapter 11-65.

### B. DWSRF CAPITALIZATION GRANT FOR FFY 2016

DWSRF Program plans for SFY 2017 are based on the FFY 2016 capitalization grant amount of \$8,312,000.00 from the Consolidated Appropriations Act, 2016 (P.L. 114-113) and the projected state match from the 2015 Hawaii State Legislature of \$1,662,400.00. Based on the latest Drinking Water Needs Survey, Hawaii’s share for FFY 2016 is one percent of the total national DWSRF appropriation. This IUP will provide information regarding the use of the federal, state and additional monies generated from other program sources during this SFY 2017 period. Details on key aspects of the Program, including the long- and short-term goals, the priority setting criteria, and a listing of projects, are included in this Intended Use Plan.

### C. SOURCES AND USES OF FUNDS

The projected sources and uses of all funds in the Hawaii DWSRF program are shown in Table 1 below.

Table 1. Projected Sources and Uses of Funds

| Sources                                      | Through SFY 2016 IUP (\$)   | SFY 2017 IUP (\$) | Cumulative through 6/30/2017 (\$) |
|--|-----------------------------|-------------------|-----------------------------------|
| Federal Capitalization Grants                | 185,546,558.00              | 8,312,000.00      | 193,858,558.00                    |
| State Match                                  | 33,210,312.00               | 1,662,400.00      | 34,872,712.00                     |
| Loan Repayments                              | 61,250,138.00               | 34,745,488.00     | 95,995,626.00                     |
| Investment Interest                          | 6,284,233.00                | 200,000.00        | 6,484,233.00                      |
| Loan Fees                                    | 7,473,360.00                | 2,456,595.00      | 9,929,955.00                      |
| Transfers from Loan Fee Account to Loan Fund | 13,978,277.00               | 1,187,853.00      | 15,166,130.00                     |
| Total Sources                                | 307,742,878.00              | 48,564,336.00     | 356,307,214.00                    |
| Uses   |                             |                   |                                   |
| Final Loan Agreements                        | 262,558,389.00 <sup>1</sup> | 66,725,398.00     | 329,283,787.00                    |
| Set-Asides                                   | 23,631,642.00               | 1,909,825.00      | 25,541,467.00                     |
| Loan Fees                                    | 3,956,552.00                | 1,347,396.00      | 5,303,948.00                      |
| EPA In-Kind Services                         | 1,137,500.00                | 480,000.00        | 1,617,500.00                      |
| Total Uses                                   | 291,284,083.00              | 70,462,619.00     | 361,746,702.00                    |
| Fund Balance                                 | 16,458,795.00               | (21,898,283.00)   | (5,439,488.00)                    |

NOTE:

<sup>1</sup> Includes ARRA final loan agreements.

### **Loan Fees**

On May 17, 2000, the State adopted Chapter 11-65, Hawaii Administrative Rules, entitled “Environmental State Revolving Funds.” These rules establish fees for loans and other financial assistance from the DWSRF. On November 7, 2011 these rules were revised in which the annual maximum loan fee of 3.25 percent may be charged to DWSRF loans was established and the limit on the fees collected for the DWSRF administrative loan fee account was increased to \$2 million. At the end of each fiscal year, any funds within the DWSRF administrative loan fee account, less encumbrances, in excess of \$2 million will be transferred to the DWSRF repayment accounts to be used for DWSRF loans. There are two classes of loan fees:

(a) **Program Fees:** The State utilizes Program Fee monies only to cover DWSRF program administrative costs. Administrative activities include the costs of processing, issuing and servicing loans, supporting engineering services, financial and legal consulting fees, reimbursement for support services from the State, and other DWSRF activities.

(b) **Non-Program Fees:** The State may utilize Non-Program Fees to primarily support DWSRF Administrative activities, secondary to support the DWSRF loan fund, and then if available or applicable to support the Public Water System Supervision Program and other Safe Drinking Water Branch activities.

Table 2. Loan Fees

| Projected Loan Fees Collected SFY 2017 (\$) | Projected Expenses SFY 2017 (\$) |
|---|----------------------------------|
| Program Fees: 638,715.00                    | 1,347,396.00                     |
| Non-Program Fees: 1,817,880.00              |                                  |
| Total Loan Fees: 2,456,595.00               |                                  |

**EPA In-Kind Services**

In-Kind Services is a portion of the allotted capitalization grant that is withheld by EPA for various uses. Through SFY 2016, there has been a total withholdings of \$19.5 million from ARRA and \$1,137,500.00 of in-kind expenses in SFY 2000, 2001, 2005, 2013, and 2015.

In SFY 2017, \$480,000.00 will be withheld for the continuing services of Northbridge Environmental Management Consultants.

**D. REQUIREMENTS OF THE CONSOLIDATED APPROPRIATIONS ACT, 2016**

The Act, which provides the FFY 2016 appropriation for the DWSRF, carries the following requirements:

**Additional Subsidization**

Twenty (20) percent of the funds made available under this title to each State for DWSRF capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of principal forgiveness, negative interest loans, or grants (or any combination of these).

Funds in accordance with this Act have been earmarked for additional subsidization in the form of zero percent interest loans with principal forgiveness. The Hawaii DWSRF program will assess disbursement activity in SFY 2016 to determine which borrower most closely submitted regular monthly payment requests. The \$1,662,400.00 of additional subsidy for SFY 2017 will be awarded to that borrower’s next executed loan. This incentivizes the borrowers to ensure the timely disbursement of their loan funds.

Act 98, signed by the governor on June 8, 2009, authorizes the Department of Health to provide such financial assistance to publicly-owned water systems from the Capitalization Grant.

**Green Project Reserve (GPR)**

For FFY 2016, funds made available under this title to each State for DWSRF capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. The Hawaii DWSRF program intends to continue providing funds for the GPR.

The Hawaii DWSRF Program is committed to the implementation of sustainable and green infrastructure. Projects that incorporate green infrastructure, water or energy efficiency improvements or other environmentally innovative activities will receive bonus points under the DWSRF rating.

### **Reporting Requirements**

The Hawaii DWSRF Program will report the utilization of funds under the SFY 2017 IUP. The major reporting vehicles will be the DWSRF Project Benefits Reporting (PBR) system and Drinking Water State Revolving Fund National Information Management System (DWNIMS). Reporting will include the use of funds for the GPR and Additional Subsidization and information on the environmental benefits of DWSRF-funded projects.

The Hawaii DWSRF program intends to satisfy the Federal Funding Accountability and Transparency Act (FFATA) up to the FFY 2016 Capitalization Grant amount with **DW212-0015, Iao Surface Water Treatment Plants Upgrades** or **DW130-0003, Waimea WTP Microfiltration** projects.

### **Davis-Bacon Requirements**

For FFY 2012 and each fiscal year thereafter, the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).

### **American Iron and Steel (AIS)**

None of the funds made available by the DWSRF shall be used for a project for the construction, alteration, maintenance, or repair of a public water system unless all of the iron and steel products used in the project are produced in the United States.

### **Signage**

For the FFY 2015 SRF capitalization grant and each fiscal year thereafter, the DWSRF program must comply with SRF Signage Guidelines in order to enhance public awareness of EPA assistance agreements nationwide. This shall be achieved on an equivalency basis.

The Hawaii DWSRF program intends to satisfy signage requirements for the FFY 2016 Capitalization Grant amount with either the **DW331-0068 Energy Savings Performance Contracting-BWS Facilities** or **HBWS-0004 Honolulu BWS Pro-Fi SFY 2017** project.

### **Cash Draw Ratio**

The cash draw ratio (also known as proportionality) is the ratio of federal to state monies used to fund a loan. In accordance with EPA Office of Water Memorandum 13-04 (September 30, 2013), the DWSRF will deposit and disburse state match funds (or an equivalent amount of non-federal funds) prior to drawing any funds from the federal capitalization grant. After all state match funds (or an equivalent amount of non-federal funds) have been disbursed, the DWSRF may draw funds from the capitalization grant at a ratio of 100% of the disbursement amount.

## **II. DWSRF LONG-TERM AND SHORT-TERM GOALS**

In establishing the national DWSRF Program, Congress gave the States the flexibility to design a program that can be tailored to meet the needs of the local public water systems. The long- and short-term goals for Hawaii's DWSRF Program are presented below. They provide a framework for the direction of Hawaii's DWSRF Program.

## A. LONG-TERM GOALS

1. To assist as many water purveyors as possible to attain compliance with State and Federal Drinking Water Regulations through the low-interest loan program.
2. To maintain the DWSRF Program in perpetuity.
3. To research options of providing funds to assist in financing improvements to privately-owned and state-owned public water systems.
4. To promote sustainable infrastructure and energy efficiency through the use of the DWSRF's Green Project Reserve.

## B. SHORT-TERM GOALS

1. Continue implementation of some of the recommendations from the Northbridge Environmental Management Consultants' October 2014 *Hawaii SRF Management Study for the CWSRF and DWSRF Programs* to streamline the Hawaii DWSRF program and increase the program's pace.
2. Comply with the January 30, 2015 Corrective Action Plan, approved by EPA Region 9 on March 17, 2015.
3. Continue modification of the Functional Procedures and the Operating Agreement to reflect and meet the DWSRF requirements and needs.
4. Continue to follow the implementation of the Capacity Evaluation program and adjust the implementation to meet with the DWSRF loan program needs.
5. Continue working with Northbridge on the development and implementation of the Financial Operations and Cash Flow Utilization in the SRF (FOCUS) financial planning model to better plan the use of funds in the DWSRF Program.

## III. DWSRF FINANCING GUIDELINES

### A. DWSRF PROJECT ELIGIBILITY

The DWSRF Program will fund drinking water projects that fall under these categories:

- Projects to correct acute health problems;
- Projects to correct chronic health problems; and
- Projects to meet other public health criteria.

### B. DWSRF FINANCING TERMS

Hawaii's DWSRF Program will provide low-interest loans for construction and refinancing of eligible drinking water projects within the State. Currently, loans will be provided only to county owned public water systems. In the next 1-3 years, the DWSRF Program will be communicating with other public water systems to educate them on the

DWSRF process and requirements. A workshop in 2016 will be opened to all public water systems interested in learning about the process and requirements. The public water systems may then begin preparations for when the loans may be provided to them (estimated 3-5 years from now). Existing debt may be refinanced upon verification by the Hawaii DWSRF program that the debt being refinanced pertained solely to the completion of a project that met the same DWSRF requirements of a construction loan. Project priority will be determined by program guidelines as detailed in Section V, “Priority List of Projects and Project Selection Procedures” in this IUP.

In most cases, loans to eligible projects are made under terms and conditions effective at the time of financing. The following guidelines are currently in place at this time.

- Loans to eligible projects, using the DWSRF funds, can be for 100 percent financing of the allowable project costs.
- Except for disadvantaged communities, loan repayment periods will be limited to a maximum of 20 years, with repayment installments to be made semi-annually. Disadvantaged communities may extend financing for up to 30 years. See the Disadvantaged Communities section in this IUP for details.
- DWSRF loan rates will remain fixed over the life of the loan.
- The DWSRF total annual loan rates will follow a tiered structure based on loan amounts. The total loan rate is composed of the loan fee and interest rate, as shown in the following table. These rates are in place until June 30, 2017 and may be adjusted depending on the ability of the fund to remain in perpetuity.

Table 3. Loan Rates

| Total Loan Rate (%) | Interest Rate (%) | Loan Fee (%) | Project Loan Amount (\$) |
|---------------------|-------------------|--------------|--------------------------|
| 1.00                | 0.00              | 1.00         | Over 8 million           |
| 1.50                | 0.50              | 1.00         | 4 million to 8 million   |
| 2.00                | 1.00              | 1.00         | Less than 4 million      |

- Currently, administrative loan fees are calculated based on the outstanding principal balance of the loan multiplied by a semi-annual rate of one-half percent (0.50%).
- In addition, the principal amortization for most DWSRF loans begins within one year after construction completion or three years after the date of the final loan agreement, whichever is earlier.
- The Hawaii DWSRF program is utilizing FOCUS to evaluate the amount of interest and loan fees necessary for the Hawaii DWSRF to operate in perpetuity.

#### IV. SET-ASIDE ACTIVITIES

The Act allows each state to set-aside up to 31 percent of its federal capitalization grant to support various drinking water program activities including administration, state program management, technical assistance and other special activities. Separate and identifiable accounts have been developed to be used for these Set-Aside Activities. Banking set-asides in the loan fund allows the funds to be used for loans now and reserves Hawaii’s

authority to take these funds from future capitalization grants. Set-Aside activities are outlined in Table 4 and in the narrative below.

Hawaii will submit detailed workplans to EPA for approval before funds are expended on these activities. Hawaii will report on the progress of these set-aside activities to EPA in the annual performance status reports.

Table 4. Set-Asides Overview

| <b>SDWA Act Set-Aside Reference</b>                                     | <b>Set-Aside Activity</b>                 | <b>Set-Aside FFY 2016 Capitalization Grant Funds (\$)</b> | <b>Set-Aside Funds FFY 1997-2015 (\$)</b> | <b>Banked Set-Aside FFY 2016 Capitalization Grant Funds (\$)</b> | <b>Banked Set-Aside FFY 1997-2015 Capitalization Grant Funds (\$)</b> | <b>Projected Expenses SFY 2017 (\$)</b> |
|---|---|---|---|--|---|---|
| Section 1452 (g) (2) – (4%)   | DWSRF Administration Fund                 | 332,480.00 <sup>1</sup>                                   | 4,999,248.00                              | 0.00   | 0.00  | 347,340.00                              |
| Section 1452 (g) (2) – (10%)  | State Program Management                  | 831,200.00 <sup>1</sup>                                   | 11,088,519.88                             | 0.00   | 3,828,600.00  | 884,500.00                              |
| Section 1452 (g) (2) – (2%)   | Small Systems Technical Assistance        | 20,000.00   | 1,383,465.16                              | 146,240.00   | 1,257,860.00  | 20,000.00                               |
| Section 1452 (k) – (15%)  | Local Assistance and Other State Programs | 726,145.00  | 9,055,618.69                              | 0.00   | 0.00  | 726,145.00                              |
| <b>Total Set-Asides</b>   |   | <b>1,909,825.00</b>                                       | <b>26,526,851.73</b>                      | <b>146,240.00</b>  | <b>5,086,460.00</b>   | <b>1,977,985.00</b>                     |
| <b>Total Banked Set-Asides FFY 1997-2016 Capitalization Grant Funds</b> |   |   |   | <b>\$5,232,700.00</b>  |   |   |

NOTE:

<sup>1</sup>Includes \$480,000.00 to be paid directly by EPA to Northbridge Environmental Management Consultants for FOCUS financial planning model; Management Study; and/or LGTS Work Assignment.

#### A. DWSRF ADMINISTRATION FUND (4% SET-ASIDE)

Section 1452(g)(2) of the Act allows up to four percent of the DWSRF Capitalization Grant to be set-aside for administration of the DWSRF program. Administrative functions include the development, implementation and review of DWSRF program processes and documentation needs that may include, but are not limited to, financial, managerial, and legal consultation, DWSRF set-aside and funds accounting, application review, public assistance, audits, information system maintenance, record retention and filing, environmental review, development of the Intended Use Plan and Priority List of Projects, budget, workplan, plans and specifications review and approval, construction inspections and staff training. The budget for this set-aside is more than the allocation and will be drawn in its entirety within one state fiscal year.

## **B. STATE PROGRAM MANAGEMENT (10% SET-ASIDE)**

Section 1452(g)(2) of the Act allows up to ten percent of the DWSRF Capitalization Grant to be set-aside to support Public Water System Supervision program activities and other initiatives of the Act. These funds support activities, which are important for the State Program to maintain primary enforcement authority, and strengthen the State's Public Water System Supervision program. Activities covered under the State Program Management set-aside include, but are not limited to, Public Water System Supervision program activities, capacity development, operator certification, sanitary surveys, regulation development and contracts for conducting sanitary surveys, security training, cross-connection training, and quality assurance and quality control measures. The budget for this set-aside is more than the allocation and will be drawn in its entirety within one state fiscal year.

## **C. SMALL SYSTEMS TECHNICAL ASSISTANCE (2% SET-ASIDE)**

Section 1452(g)(2) of the Act allows up to two percent of the DWSRF Capitalization Grant to be set-aside to support Small Systems Technical Assistance activities.

These funds will be used to provide future assistance to public water systems serving fewer than 10,000 people or 89 percent of the public water systems in Hawaii. Activities under this set-aside include helping systems prepare their DWSRF loan applications, assistance with improving their technical, financial, and managerial capability, training, and planning, technical assistance via sanitary survey follow-ups, direct on-site assistance and a Circuit Rider program to address any necessary improvements to the water system.

The Safe Drinking Water Branch will take \$20,000.00 in SFY 2017 to support the registration of small systems operators and board members attendance at the annual Pacific Water Conference which is a joint conference of the American Water Works Association – Hawaii Section and Hawaii Water Environment Association. This set-aside will be drawn in its entirety within one state fiscal year.

## **D. LOCAL ASSISTANCE AND OTHER STATE PROGRAMS (15% SET-ASIDE)**

Section 1452(k) of the Act allows up to 15 percent of the DWSRF Capitalization Grant to be set-aside to support Local Assistance and Other State Programs.

Activities under this set-aside include, but are not limited to, wellhead protection and related source water protection activities (such as, reducing water loss through the use of audits and identification of potential improvements utilizing DWSRF funding, creating local source water protection advisory committees, development of source water protection plans and strategies, and implementing protection activities including outreach and educational programs); technical, financial and managerial capacity development and related activities (which may include vulnerability assessments, contingency and emergency response plans, and security for protecting drinking water sources); technical assistance via sanitary survey follow-ups and direct on-site assistance to address any necessary improvements to the water system; and a Circuit Rider program to address any necessary improvements to the water system. None of the individual activities listed will exceed ten percent of any particular year's capitalization grant.

Technical support is provided through the Circuit Rider program to assist noncompliant systems not needing infrastructure investment to return to compliance. The current Circuit Rider program funding is being moved from this set-aside to non-program fees and ends in September 30, 2017. Procurement of a new Circuit Rider contract will begin in SFY 2017 to be executed with a notice to proceed date of October 1, 2017. This contract will be for a

period of two years to ensure that Hawaii meets the EPA Unliquidated Obligations Strategy of only two open capitalization grants at any time.

The balance remaining for this set-aside is expected to be drawn by September 30, 2016. There will be no new funds until award of the SFY 2017 capitalization grant.

The budget for this set-aside includes funding of three positions which will draw almost half of the budget within one state fiscal year. The other half of the budget for SFY 2017 is for in-house project development for future source water protection activities. Projects or subawards are being developed to utilize the funds within two fiscal years. They include:

- Kipapa Acres Nitrate Sampling – The nitrate concentration at the Kipapa Acres Wells is currently 6.0 mg/L, greater than 50% of the Maximum Contaminant Limit (MCL) of 10 mg/L and increasing. At the current rate of increase the nitrate concentration will exceed the MCL in about 10 years. Source water and soil sampling will be conducted to determine source of nitrates. Based on the results of the sampling a remediation plan will be developed. Quality Assurance Project Plan will be developed before sampling commences. Potential future Wellhead Protection Financial Assistance Project for remediation. Budget of \$35,000.00 in SFY 2017 for the investigation; \$45,000 in SFY 2018 for remediation.
- Recycled Water Use Guidance – Hawaii is increasing the use of recycled water and needs a better characterization of the fate and transport of contaminants of emerging concern to develop sampling requirements for the use of this resource. Soil sampling will be done to evaluate the contaminants with the greatest potential to contaminate Hawaii’s drinking water aquifers. Sampling and analysis will occur when Wastewater Branch receives an application for use over a Source Water Assessment and Protection (SWAP) zone. Quality Assurance Project Plan will be developed before sampling commences. Budget of \$0.00 in SFY 2017; \$20,000.00 in SFY 2018.
- Water Loss Audit Training and Technical Assistance (Subaward) – Multi-year project to be managed by the Hawaii Department of Land and Natural Resources Commission on Water Resource Management ([SB 2645, SD2, HD1 – Relating to Water Audits](#)). Potential identification of future DWSRF infrastructure projects. Budget of \$200,000.00 in SFY 2017; \$250,000.00 in SFY 2018; and \$150,000.00 in SFY 2019.
- SWAP Modeling Upgrade – The current approach used by the SWAP to model groundwater flow and evaluate the susceptibility to contamination has not been revised for over ten years. A study done by the University of Hawaii in 2012 showed that the current approach does not adequately predict a drinking water source’s susceptibility to contamination. Multi-year project utilizing University of Hawaii graduate student to review the existing models; review and update the Potential Contaminating Activity List; and upgrade the SWAP methodology starting in SFY 2018. Quality Assurance Project Plan will be developed before modeling upgrades commence. School year begins in August, therefore funding needed before the start of SFY 2018. Building capacity of Safe Drinking Water Branch to protect source water. Budget of \$16,700.00 for two (2) months in SFY 2017; \$100,000.00 in SFY 2018; \$100,000.00 in SFY 2019; and \$100,000.00 in SFY 2020.
- CLERS Model Support – Multi-year project collaborating with University of Hawaii, University of Nebraska–Lincoln, and the Hawaii Department of Agriculture to revise the CLERS report to more adequately address the needs of the Dept. of Health and Dept. of Agriculture end users; license the CLERS model to University of Hawaii; and develop a sustainable technical upgrade/support agreement with the University of Hawaii. Quality Assurance Project Plan will be developed before modeling upgrades commence. School year begins in August, therefore funding will be needed before the start of SFY 2019.

Building capacity of Safe Drinking Water Branch to protect source water. Budget of \$0.00 for SFY 2017; \$16,700.00 for two (2) months in SFY 2018; \$100,000.00 in SFY 2019; \$10,000.00 in SFY 2020; and \$10,000.00 in SFY 2021.

- Red Hill Drinking Water Source Risk Investigation – A catastrophic fuel release from the Navy’s Red Hill Fuel Storage Facility has the potential to impact multiple public drinking water sources serving over 20 percent of the population of Oahu. SDWB in collaboration with the DOH Solid and Hazardous Waste Branch and the EPA Region 9 Land Office will characterize the hydrogeologic controls on groundwater and contaminant transport. This will be done in conjunction with and to supplement the current Administrative Order of Consent. Development in SFY 2017. Quality Assurance Project Plan will be developed before sampling commences. Building capacity of Safe Drinking Water Branch to protect source water. Budget of \$0.00 in SFY 2017; \$100,000.00 in SFY 2018.
- Joint Government Water Conference (five days on four islands) to be held in odd years, but funded in even years (e.g., August 2017 is in SFY 2018). Past conference focused on the Hawaii Water Plan; Hawaii Water Quality Plan; Project Water Education for Teachers; online well data submittal to the Hawaii Department of Land and Natural Resources Commission on Water Resource Management. Budget of \$25,000.00 in SFY 2017 to plan and make deposits; Budget of \$25,000.00 in SFY 2018 to pay balance due.
- Academic - State Agency One-Day Workshop to be held in SFY 2017 to investigate methods of streamlining research cooperative agreements, share data and expertise, and resources between the University of Hawaii; Hawaii Department of Land and Natural Resources Commission on Water Resource Management; Hawaii Department of Agriculture; and Hawaii Department of Health Environmental Health Administration Branches and Offices. Budget of \$10,000.00 in SFY 2017.

## V. PRIORITY LIST OF PROJECTS AND PROJECT SELECTION PROCEDURES

### A. PRIORITY LIST OF PROJECTS

Any project considered for funding must be listed on the Priority List of Projects. The *DWSRF Priority List of Projects for SFY 2017* is presented in Appendix A. In February 2016, the county water departments were invited to submit proposed projects for DWSRF funding. Throughout the year, borrowers may add new projects for inclusion in the *Priority List of Projects*. A new 30-day comment period would be initiated (e.g., “The DWSRF Priority List of Projects for SFY 2016 has been updated on March 28, 2016 [[.pdf](#)].”). The *Priority List of Projects* was developed by evaluating the proposed projects based on the Project Selection Procedures and DWSRF Rating Criteria. The priority ranking system is applicable for projects to be funded through the DWSRF program. Amendments to the Project Selection Procedures and DWSRF Rating Criteria will be considered as appropriate to reflect the changing character of the Program. The *DWSRF Project Rating Criteria* is found in Appendix B.

## B. PROJECT SELECTION PROCEDURES

The State of Hawaii utilizes a ranking system to establish the order in which eligible projects will be financed. Projects are ranked based on the relative impact of the project in achieving the objectives of the Act. In general, priority is given to current construction projects that facilitate compliance with national primary drinking water regulations applicable to the system or otherwise significantly further the health protection objectives of the Act.

The *Priority List of Projects* is developed and updated each year and placed in the Intended Use Plan. The Intended Use Plan is then made available for public review and comment each year.

As required by the Act Amendments of 1996, the priority ranking system attempts to assign the highest priority to those projects, which:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the requirements of the Act; and
3. Assist systems most in need, on a per household basis.

Projects are ranked against all other projects competing for funds using the DWSRF Project Rating Criteria. While points are primarily assigned on a basis of the health problems or the Act compliance issue being addressed by a project, a final criterion is reserved for determining the priority of eligible projects with the same point totals. The Act amendments of 1996 require that 15 percent of the monies available for funding projects each fiscal year must go to public water systems that serve 10,000 or fewer persons (small public water systems). Thus, the highest ranking small public water system project that will be ready-to-proceed in that fiscal year will be selected to satisfy the minimum 15 percent level. In the event that there are no projects that meet these criteria, DOH will make this portion of the fund available to all other public water systems. This will ensure that the funds are allocated as expeditiously as possible and are efficiently utilized.

Due to the limited amount of funds available and the anticipated demand for low-interest loans, the DWSRF emphasizes the financing of construction projects addressing public health protection and compliance.

## C. TIE-BREAKING PROCEDURE

The following procedure is used for the purpose of breaking ties between projects at the time of evaluation.

1. If the overall score is tied between two or more projects, then the project with the highest Water Quality and Public Health score will be given the higher priority.
2. If there is still a tie after tie-breaker #1, then the project with the highest Affordability score will be given the higher priority.
3. If there is still a tie after tie-breaker #2, then the project with the highest Compliance/Enforcement score will be given the higher priority.
4. If there is still a tie after tie-breaker #3, then the project with the highest Sustainability/Resiliency score will be given the higher priority.

5. If there is still a tie after tie-breaker #4, then the cost burden per person, which is the project cost divided by the population affected by the project, will be calculated and the higher total will be given the higher priority.

#### D. PROJECT READINESS AND BYPASS PROCEDURE

The DOH will work with the water systems with the highest ranked projects on the *DWSRF Priority List of Projects* to ensure that those projects are given a chance to be funded first.

However, the final funding selection of drinking water projects from the *Priority List of Projects* will be based primarily on the project's *readiness-to-proceed*. Projects that are *ready to proceed* are prepared to begin construction and are immediately ready, or poised to be ready, to execute a final loan agreement with the DOH. If, for whatever reason, a public water system is not ready-to-proceed to construction in a timely fashion, the DOH may select a lower ranking project for funding based on its ability to proceed in a timely manner. This *bypass* procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

The DOH reserves the right to fund lower priority projects over higher priority projects if in the opinion of DOH, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and initiation of construction (e.g. DOH has not received the required documents to execute a loan agreement, the project is not ready-to-proceed with construction, or the public water system withdraws its project for consideration). If a project must be bypassed because it has been delayed, it will be given high priority for funding as soon as it is ready and funds become available. The DOH may also raise the priority of a project on the *Priority List of Projects* in the case of an emergency or natural disaster, such as a landslide, hurricane, flood, earthquake, etc.

In order to receive DWSRF funding, all projects must comply with the DWSRF and State Environmental Review Process prior to commencement of construction.

#### E. DISADVANTAGED COMMUNITIES

The DWSRF is authorized to provide up to 30 percent of the Capitalization Grant for any fiscal year to assist disadvantaged communities. A disadvantaged community is currently defined as a public water system's community with an affordability score of 45 or greater (out of 100), based on the DWSRF Priority Scoring Model and as demonstrated in the Population and Housing Characteristics, State of Hawaii, By Census Tracts: 2009-2013.

The Hawaii DWSRF program may assist disadvantaged communities by allowing county-owned water systems in such communities to extend financing of DWSRF loans up to 30 years.

#### F. FUNDABLE LIST OF PROJECTS

For the SFY 2017, projects listed in Table 5 may be funded up to 100 percent of the eligible construction cost from the *DWSRF Priority List of Projects for SFY 2017* based on potential available funds and readiness-to-proceed. For more specific information on the projects listed in this table, see Appendix A.

The total amount in the Fundable List is more than the SFY 2017 Commitment Target of \$38.8M identified in Corrective Action Plan (CAP) #22. According to the FOCUS financial planning model using amounts as of 3/22/2016, the program capacity is \$38.8M. The program determined that it would establish the commitment target at the same \$38.8M based on the program capacity.

Table 5. Fundable List of Projects

| Rank  | Project No. | Owner        | Project Name   | Service Area Population | Estimated Start Date for Contractor Invoicing | Estimated Total Cost (\$) |
|-------|-------------|--------------|--|-------------------------|---|---------------------------|
| 28    | HBWS-0004   | Honolulu BWS | Honolulu BWS Pro-Fi SFY 2017 <sup>1</sup>                              | 700,000                 | Sept-2016                                     | 5,000,000.00              |
| 25    | DW331-0068  | Honolulu BWS | Energy Savings Performance Contracting-BWS Facilities <sup>1,2</sup>   | 700,000                 | Sept-2016                                     | 33,125,398.00             |
| 15    | DW212-0015  | Maui DWS     | Iao Surface Water Treatment Plants Upgrades <sup>1,2</sup>             | 8,956                   | Nov-2016                                      | 21,500,000.00             |
| 18    | DW101-0003  | Hawaii DWS   | Piihonua-Kukuau Reservoir and Transmission Improvements <sup>1,3</sup> | 4,297                   | Dec-2016                                      | 7,100,000.00              |
| Total |             |              |  |                         |   | 66,725,398.00             |

NOTES:

<sup>1</sup>Disadvantaged Community based on the DWSRF Priority Scoring Model and as demonstrated in the Population and Housing Characteristics, State of Hawaii, By Census Tracts: 2009-2013.

<sup>2</sup>Green Project Reserve: Energy Efficiency

<sup>3</sup>Green Project Reserve: Water Efficiency

## VI. ASSURANCES AND PROPOSALS

### A. ENVIRONMENTAL REVIEW

The DWSRF Program is in the process of revising the State Environmental Review Process (SERP) to ensure that it meets the requirements of the federal DWSRF program. The DWSRF Program will be providing EPA with the revised proposed SERP (to include Environmental Impact Statement [EIS] projects) for the review and approval of EPA's Regional Administrator (RA). Once the SERP is approved by EPA's RA, the DWSRF Program shall utilize the approved SERP to conduct environmental reviews for all eligible DWSRF funded projects.

### B. FEDERAL CROSS-CUTTERS

The State will ensure that all federal cross-cutters are addressed within the loan agreement prior to the finalization of the agreement. All projects seeking DWSRF assistance must have been and/or be constructed following all federal cross-cutters and other DWSRF environmental requirements.

### C. BINDING COMMITMENT

Hawaii's DWSRF Program will enter into binding commitments in an amount equal to the amount of each Capitalization Grant payment (Capitalization Grant less set-aside amounts) and accompanying State Match that is deposited into the Loan Fund. These commitments must be initiated within one year after receipt of each Capitalization Grant payment and will ensure compliance with the binding commitment requirement.

### D. TIMELY EXPENDITURE

The State will expend all funds in the DWSRF loan fund in a timely and expeditious manner.

## VII. U.S. ENVIRONMENTAL PROTECTION AGENCY STRATEGIC PLAN GOALS AND OBJECTIVES

The Hawaii DWSRF Program supports the National EPA Strategic Plan Goal 2 (Protecting America's Waters), Objective 2.1 (Protect Human Health), and Strategic Measure (Water Safe to Drink) as listed below. Specifically, Hawaii has established and manages the revolving loan fund that provides low-cost loans and other types of assistance to water systems by financing the cost of infrastructure projects to achieve or maintain compliance with the Act requirements. Hawaii DWSRF activities support EPA Program Reporting Code 201B81E. Every summer, Hawaii and EPA negotiate Hawaii's Strategic Plan commitments for the State Fiscal Year starting July 1. Hawaii's commitments for SFY 2017 will be submitted by May 2016.

### STRATEGIC PLAN GOAL 2: PROTECTING AMERICA'S WATERS<sup>1</sup>

STRATEGIC PLAN OBJECTIVE 2.1: PROTECT HUMAN HEALTH – Achieve and maintain standards and guidelines protective of human health in drinking water supplies, fish, shellfish, and recreational waters, and protect and sustainably manage drinking water resources.

STRATEGIC MEASURE: WATER SAFE TO DRINK – By 2018, 92 percent of community water systems will provide drinking water that meets all applicable health-based drinking water standards through approaches including effective treatment and source water protection.

All planned and prior year loans have assisted public water systems to meet the federal and state drinking water compliance requirements. Details of Hawaii's DWSRF activities supporting the National EPA Strategic Plan will be included in the DWSRF Annual Report due to EPA on October 1<sup>st</sup> of each year. A summary of loan activity for the fiscal year will be included in the report as well as details for each project. Project details will include a brief description and benefit of the project, project number, dollar amount and population served for projects financed, and the interest rate for each loan.

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<sup>1</sup> FY2014-2018 EPA Strategic Plan at [https://www.epa.gov/sites/production/files/2014-09/documents/epa\\_strategic\\_plan\\_fy14-18.pdf](https://www.epa.gov/sites/production/files/2014-09/documents/epa_strategic_plan_fy14-18.pdf).

**APPENDIX A - DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2017**

**APPENDIX A  
DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2017**

| Rank | Project No. | PWS No. | PWS Owner/Name                     | Project Location                  | Project Title                          | Project Description   | Estimated Start Date for Contractor Invoicing | Estimated Total Cost | Population |
|------|-------------|---------|------------------------------------|-----------------------------------|--|---|---|----------------------|------------|
| 1    | DW129-0001  | 129     | HDWS North Kohala                  | Haleaia-Vaunili Rd., North Kohala | Haleaia Well Development Phase 2       | Replace source for Bond Tunnel to comply with the Lead and Copper Rule. Construction of potable water well, 0.5 MG reservoir, chlorine/control building, electrical and site improvements, and other supporting facilities  | Nov-17  | \$ 2,420,000.00      | 6,579      |
| 2    | DW112-0002  | 112     | DWS Obaa-Mountain View             | Kaauu, Puna                       | Milo Street Water System Improvements  | Replace existing waterline which is deteriorating and prone to leaks and breaks, and remove existing deteriorating steel tank and facilities  | SFY 2018                                      | \$ 1,500,000.00      | 5,017      |
| 3    | DW109-0002  | 109     | DWS Pahala                         | Pahala, Kau                       | Pahala Village Waterline Replacement   | Replace approximately 2,800 LF of 2" galvanized waterline which is prone to leaks and breaks  | SFY 2022                                      | \$ 840,000.00        | 7,532      |
| 4    | DW112-0003  | 112     | DWS Obaa-Mountain View             | Kurtistown, Puna                  | Hey Subdivision Waterline Replacement  | Replace existing waterline which is deteriorating and prone to leaks and breaks   | SFY 2019                                      | \$ 120,000.00        | 5,017      |
| 5    | DW108-0001  | 108     | DWS Waiohinu-Naalehu               | Waiohinu, Kau                     | Waiohinu Well, Phase 1                 | Replacement source for Mountain House Tunnel & Hao Springs, which are not reliable during drought   | SFY 2020                                      | \$ 1,000,000.00      | 7,532      |
| 6    | DW130-0006  | 130     | HDWS North Kohala                  | Hewi, North Kohala                | Beers Road Waterline Replacement       | Replace existing waterline which is deteriorating and prone to leaks and breaks   | SFY 2021                                      | \$ 500,000.00        | 6,579      |
| 7    | DW131-0001  | 131     | DWS North Kona                     | Keauhou, Kona                     | Holua Road Waterline Replacement       | Replace approximately 1,300 LF of 3" and 2-1/2" galvanized waterline which is deteriorating and prone to leaks and breaks   | SFY 2020                                      | \$ 390,000.00        | 5,914      |
| 8    | DW335-0012  | 335     | BWS Waipahu-Ewa-Waianae            | Leeward Oahu                      | Kamaile Wells Renovation               | Renovate and install drain line for pump discharges   | SFY 2018                                      | \$ 1,831,981.00      | 6,158      |
| 9    | DW106-0002  | 106     | DWS Pepeeekeo                      | Pepeekeo, South Hilo              | Pepeekeo Waterline Replacement         | Replace approximately 800 LF of cast iron waterline and 1,800 LF of asbestos-cement pipe which is deteriorating and prone to leaks and breaks   | SFY 2020                                      | \$ 845,000.00        | 5,416      |
| 10   | DW161-0004  | 161     | HDWS Haina                         | Honokaia, Hamakua                 | Honokaia Camp 8 Waterline Replacement  | Replace existing waterline which is deteriorating and prone to leaks and breaks   | SFY 2019                                      | \$ 500,000.00        | 4,507      |
| 11   | DW161-0003  | 161     | HDWS Haina                         | Honokaia, Hamakua                 | Honokaia Camp 10 Reservoir Replacement | Replace existing reservoir which is undersized and deteriorating  | SFY 2020                                      | \$ 1,500,000.00      | 4,507      |
| 12   | DW331-0075  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu                          | Punaluu Wells II Renovation            | Provide new pumping unit at Pump No. 6. Provide new piping, valves, wiring, and appurtenances at Pumps No. 1, 2, 3, 5, and 6. Provide new surge anticipating valve at Pumps No. 1, 3, and 6. Replace sodium hypochlorite system. Replace all existing motor controls with new soft starters. Provide new telemetering and supervisory control equipment in new SCADA cabinet with new UPS system. Replace existing underground pump discharge line from Pumps No. 1, 2, 3, 5, and 6. Replace existing main discharge line along access road. Install a new main bypass line along the access road to serve as a redundant main discharge line. Provide new discharge lines from surge anticipator valves at Pumps No. 1, 2, 3, 5 and 6 to the existing storm drainage system. Widen access road to accommodate new utilities and to accommodate trailer for emergency generator. Renovate existing control building | SFY 2018                                      | \$ 19,800,000.00     | 5,433      |

**APPENDIX A  
DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2017**

| Rank | Project No. | PWS No. | PWS Owner/Name    | Project Location     | Project Title  | Project Description  | Estimated Start Date for Contractor Invoicing | Estimated Total Cost | Population |
|------|-------------|---------|-------------------|----------------------|--|--|---|----------------------|------------|
| 13   | DW160-0001  | 160     | DWS Lailamilo     | Puako, South Kohala  | Puako Waterline Replacement                            | Replace approximately 11,000 LF of 8" and 12" waterline which is deteriorating and prone to leaks and breaks   | SFY 2018                                      | \$ 1,500,000.00      | 7,883      |
| 14   | DW130-0007  | 130     | HDWS South Kohala | Waimea, South Kohala | Ranchers Subdivision Waterline Replacement             | Replace existing waterline which is deteriorating and prone to leaks and breaks  | SFY 2020                                      | \$ 100,000.00        | 9,982      |
| 15   | DW212-0015  | 212     | DWS Waialuku      | Waialuku             | Iao Surface Water Treatment Plants Upgrades            | Upgrade the existing 1.2 MGD Iao Surface Water Treatment Plant. Upgrades includes a building to shelter the microfiltration units (the existing units are exposed with no building), install new microfiltration units and related filter backwash facilities for a 1.2 MGD capacity. The project will provide a reliable water treatment facility. High efficiency pumps will be installed. | Nov-16  | \$ 21,500,000.00     | 8,956      |
| 16   | DW130-0008  | 130     | DWS South Kohala  | Waimea, South Kohala | Waikoloa Reservoir No. 1 Earthquake Damage Repairs     | Repair existing 50 MG raw water reservoir for the Waimea Water Treatment Plant that was damaged from the 2006 Kiholo Earthquake  | Dec-16  | \$ 5,000,000.00      | 7,883      |
| 17   | DW215-0013  | 215     | DWS Upper Kula    | Upcountry - Kula     | Onaopio Tank Booster Pump Replacement                  | Replace / relocate existing pump station to new tank location.   | Mar-17  | \$ 2,000,000.00      | 8,513      |
| 18   | DW101-0003  | 101     | DWS Hilo          | Pihonua, South Hilo  | Pihonua-Kukuau Reservoir and Transmission Improvements | Replace undersized and deteriorating 0.08 MG in ground reservoir and install 16" transmission waterline to supplement existing waterlines that is inadequate to supply portions of the Hilo water system during peak usage   | Dec-16  | \$ 7,100,000.00      | 4,297      |
| 19   | DW213-0017  | 213     | DWS Makawao       | Upcountry - Makawao  | Pookela Well #2 - Exploratory                          | Drill and develop a second source well at the same location as Pookela Well #1   | Mar-17  | \$ 2,500,000.00      | 3,338      |
| 20   | H3WS-0006   |         | BWS               | Oahu                 | Honolulu BWS Waterline Projects SFY 2018               | Replace aged waterlines around Oahu to provide more reliable service and prevent water loss  | SFY 2018                                      | \$35,775,000.00      | 700,000    |
| 21   | H3WS-0008   |         | BWS               | Oahu                 | Honolulu BWS Waterline Projects SFY 2020               | Replace aged waterlines around Oahu to provide more reliable service and prevent water loss  | SFY 2020                                      | \$40,545,000.00      | 700,000    |
| 22   | H3WS-0007   |         | BWS               | Oahu                 | Honolulu BWS Waterline Projects SFY 2019               | Replace aged waterlines around Oahu to provide more reliable service and prevent water loss  | SFY 2019                                      | \$31,050,000         | 700,000    |
| 23   | DW101-0002  | 101     | DWS Hilo          | Puainako Street      | Puainako Street Waterline Replacement                  | Replace approximately 7,700 LF of 8" cast iron waterline which is prone to leaks and breaks  | SFY 2019                                      | \$ 2,700,000.00      | 4,297      |

**APPENDIX A  
DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2017**

| Rank | Project No. | PWS No. | PWS Owner/Name                     | Project Location | Project Title   | Project Description  | Estimated Start Date for Contractor Invoicing | Estimated Total Cost | Population |
|------|-------------|---------|------------------------------------|------------------|---|--|---|----------------------|------------|
| 24   | DW331-0077  | 331     | BWS Honolulu-Windward-Pearl Harbor | Waialae          | Waialae Line Booster: Replace Pumping Units           | Remove three (3) of the four (4) pumping units on both the Waialae and Punaluu set of pumps. At the one (1) pumping unit on each set to remain, replace existing pump, motor, discharge head assembly, and all above-ground piping, valves, and appurtenances. Convert one (1) of the removed pumping units on each set of pumps to a free-flow line. Convert one (1) of the removed pumping units on each set of pumps to an emergency back feed line. Remove existing bypass line and PRV piping. Install two (2) new rate of flow control valves on the incoming piping of each set of pumps. Replace the two (2) existing influent flow tubes with new. Install new station effluent flow tube. Install two (2) new chlorine residual analyzers. Modify existing MCC and connect existing power and control wiring to new components. Provide gauge board upgrades including data recording, SCADA telemetering connections, Outback backup power. Perform corrosion control on and paint all of the existing and new above-ground piping. | SFY 2018                                      | \$ 4,350,000.00      | 4,824      |
| 25   | DW331-0068  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Energy Savings Performance Contracting-BWS Facilities | Implement an ESPC project on BWS facilities with a goal of reducing energy demand by 20%   | Sep-16  | \$ 33,125,398.00     | 700,000    |
| 26   | DW331-0084  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Diamond Head Line Booster: Replace Pumping Units      | Replace 4 pumping units including pumps, motors, discharge head assemblies, valves, suction barrels, piping, and other components. Update and overhaul facility mechanical and electrical systems. Provide new elevated platform with grated surfaces for maintenance access, landscape plantings, corrosion control and painting of all piping.   | SFY 2017                                      | \$ 2,620,000.00      | 2,871      |
| 27   | DW331-0086  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Pipeline Tunnel Renovations at Various Locations      | Rehabilitation of Pipelines and Tunnels: Keenu, Fort Ruger, Maikapuu, Moanalua and Quarry Tunnels  | SFY 2018                                      | \$1,800,000.00       | 5,894      |
| 28   | H-BWS-PF-17 |         |                                    | Honolulu         | Honolulu BWS Pre-FI SFY 2017                          | Water System Improvements on the Island of Oahu  | Sep-16  | \$ 5,000,000.00      | 700,000    |
| 29   | DW331-0085  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Moanalua Wells: Replacement of Pump No. 1             | Replace Pumping Unit No. 1 and aboveground piping for all three pumping units. Replace motor control center (MCC) with new soft start MCC. Provide temporary service. Replace control wires, junction boxes, conduits, disconnect switch, and mounts. Provide new security and sound attenuating wall.   | SFY 2017                                      | \$ 1,610,000.00      | 5,894      |
| 30   | DW214-0014  | 214     | DWS Lahaina                        | West Maui        | Mahinahina Well #1 Development                        | Develop existing exploratory well to be a public water source along with pipeline and water tank infrastructure  | Mar-17  | \$ 13,000,000.00     | 4,176      |

**APPENDIX A  
DWSRF PRIORITY LIST OF PROJECTS FOR SFY 2017**

| Rank | Project No. | PWS No. | PWS Owner/Name                     | Project Location | Project Title  | Project Description  | Estimated Start Date for Contractor Invoicing | Estimated Total Cost | Population |
|------|-------------|---------|------------------------------------|------------------|--|--|---|----------------------|------------|
| 31   | DW331-0078  | 331     | BWS Honolulu-Windward-Pearl Harbor | Pearl City       | Pearl City Wells I: Renovation                       | Replace Well Pumps Nos. 1 and 2 and associated above ground piping, replacement of MCC, replacement of chlorination system, replacement of compressor, and renovate building including replacement of lighting, repainting, replacement of hoists, regrading chlorination room, removal and reinstallation of parking lot pavement, replacement and upgrade of intrusion detection system, and replacement of refurbishing window louvers and screens. | SFY 2018                                      | \$ 2,987,948.00      | 2,994      |
| 32   | DW331-0080  | 331     | BWS Honolulu-Windward-Pearl Harbor | Pearl City       | Pearl City Wells II Isolation Valves                 | Install isolation valves.  | SFY 2018                                      | \$ 1,028,004.00      | 5,557      |
| 33   | DW367-0002  | 367     | BWS Mililani                       | Mililani         | Mililani Wells I: Replacement of Pumping Units       | Replace pumping units and associated piping and valves. Demolish existing mute structures. Complete replacement of motor control center and related electrical components. Replace chlorination system. Replace MCC, power cables and control wiring.  | SFY 2017                                      | \$ 2,800,000.00      | 39,393     |
| 34   | DW331-0081  | 331     | BWS Honolulu-Windward-Pearl Harbor | Waimalu          | Punalani Wells MCC Replacement                       | Replace pump unit, MCC, conduits, controls and wires   | SFY 2018                                      | \$ 3,048,551.00      | 5,213      |
| 35   | DW331-0082  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Waialeale Well Renovation                            | Replace AV valve in AV vault, provide new 3/4" disc check, emergency pump connection, install new electrical duct bank from control building to AV vault, Various controls for new AV.   | SFY 2018                                      | \$ 1,017,500.00      | 3,829      |
| 36   | DW331-0083  | 331     | BWS Honolulu-Windward-Pearl Harbor | Honolulu         | Maikai 180 Reservoir Replace Altitude Valve Assembly | Install permanent PRV assembly for system operations   | SFY 2018                                      | \$ 478,500.00        | 5,292      |
| 37   | DW367-0001  | 367     | BWS Mililani                       | Mililani         | Mililani Wells II Improvements                       |  | SFY 2018                                      | \$ 385,000.00        | 2,569      |

## APPENDIX B - DWSRF PROJECT RATING CRITERIA

## APPENDIX B

### DWSRF PROJECT RATING CRITERIA

#### SUMMARY OF THE PROJECT PRIORITIZATION MODEL

Calibration Methodology – 300 total points, four sections

| SECTION   | % OF BASE POINTS | POINTS INCLUDED     |
|---|------------------|---------------------|
| <b>Drinking Water Quality &amp; Public Health</b> | 40%              | 120 <sup>i</sup>    |
| <b>Affordability</b>                              | 33%              | 100                 |
| <b>Compliance and Enforcement</b>                 | 17%              | 50                  |
| <b>Sustainability/Resiliency</b>                  | 10%              | 30                  |
| <b>TOTAL</b>                                      | <b>100%</b>      | <b>300 possible</b> |

#### PRIORITY SCORING MODEL

| <b>SECTION I: DRINKING WATER QUALITY &amp; PUBLIC HEALTH</b>  | <b>120 POSSIBLE</b> |
|---|---------------------|
| Project addresses a documented waterborne disease outbreak associated with the system within the last 24 months   | 25                  |
| Project corrects or prevents violations of MCLs (primary standards) <sup>ii</sup> <ul style="list-style-type: none"> <li>• Nitrate, nitrite, TCR</li> <li>• Microorganisms (Giardia lamblia, Cryptosporidium, Legionella)</li> <li>• Disinfection byproducts (TTHMs, HAA5)</li> <li>• Other regulated contaminants</li> </ul> | 25<br>15<br>10<br>5 |
| *points are additive in this section  |                     |
| Project corrects or prevents inadequate treatment techniques that are unable to satisfy the requirements for <ul style="list-style-type: none"> <li>• Surface water</li> <li>• GWUDI</li> <li>• Groundwater</li> </ul>  | 15                  |
| Project corrects exceedances of secondary drinking water standards (including Lead & Copper Rule)   | 10                  |
| Project will correct or prevent: <ul style="list-style-type: none"> <li>• Inadequate distribution due to system deterioration (e.g., experiencing multiple line breakages) or loss of supply</li> <li>• Inadequate distribution due to chronic low pressure</li> <li>• Inadequate storage</li> </ul>                          | 15<br>10<br>5       |

| <b>SECTION II: AFFORDABILITY<sup>iii</sup></b>  | <b>100 POSSIBLE</b>       |
|---|---------------------------|
| Poverty level in project area <ul style="list-style-type: none"> <li>• &gt;20%</li> <li>• 15%- 91.99%</li> <li>• 10% - 14.99%</li> <li>• 5% -9.99%</li> <li>• &lt;5%</li> </ul>   | 40<br>30<br>20<br>10<br>0 |
| User Fees (proposed annual average residential fees/area MHI) <sup>iv</sup> <ul style="list-style-type: none"> <li>• Rates are &gt;2.0% of service area's MHI</li> <li>• Rates are between 1.5% and 2% of the service area's MHI</li> <li>• Rates are between 1% and 1.49% of the service area's MHI</li> <li>• Rates are between 0.5% and 0.99% of the service area's MHI</li> <li>• Rates are &lt;0.5% of the service area's MHI</li> </ul> | 30<br>20<br>10<br>5<br>0  |
| Unemployment in project area <ul style="list-style-type: none"> <li>• &gt;15%</li> <li>• Between 10% - 14.99%</li> <li>• Between 6% - 9.99%</li> <li>• Between 3% - 5.99%</li> <li>• &lt;3%</li> </ul>  | 30<br>20<br>10<br>5<br>0  |

| <b>SECTION III: COMPLIANCE AND ENFORCEMENT</b>  | <b>50 POSSIBLE</b> |
|---|--------------------|
| Project addresses an enforcement action by DOH and the facility is currently in violation of SDWA limitations.                            | 50                 |
| Project addresses a facility's voluntary efforts to resolve a possible violation and will mitigate the issuance of an enforcement action. | 25                 |
| System is currently meeting all requirements.   | 15                 |

| <b>SECTION IV: SUSTAINABILITY AND RESILIENCY</b>  | <b>30 POSSIBLE</b> |
|---|--------------------|
| <b>Project promotes sustainable utilities and/or communities through a utility management plan that:</b> <ul style="list-style-type: none"> <li>• Secures a replacement fund for the rehabilitation and replacement of aging and deteriorating infrastructure as needed</li> <li>• Provides sufficient revenues to meet O&amp;M and capital needs</li> <li>• Demonstrates that the facility has maintained licensed/certified operators, adequate staffing to properly operate and maintain the facility and will continue to do so</li> <li>• Incorporates a fix-it-first planning methodology</li> </ul> *Points are additive in this section | 5 pts each         |

|  |   |
|--|---|
| <p><b>Project addresses climate resiliency by incorporating one or more of the following:</b></p> <ul style="list-style-type: none"> <li>• <b>Installation of physical barriers</b></li> <li>• <b>Equipment hardening/waterproofing</b></li> <li>• <b>Prevention of salt water damage</b></li> <li>• <b>Water efficiency, conservation and/or reuse</b></li> <li>• <b>Drought mitigation measures<sup>v</sup></b></li> <li>• <b>Energy Efficiency/Neutrality</b></li> <li>• <b>Emergency Response and Recovery Planning</b></li> </ul> | 5 |
| <p><b>Project incorporates wet weather management by implementing green infrastructure systems at utility structures and surrounding footprint</b></p>   | 5 |

NOTES:

<sup>i</sup> Violations of more than one contaminant are additive, which may result in significant exceedances of the total base points. This structure captures needs for repeat violations and provides indicators for both chronic and acute health hazards. This section is the most heavily weighted of the five sections included in the scoring model.

<sup>ii</sup> This accommodates repeat violations and provides indicators for both chronic and acute health hazards.

<sup>iii</sup> Affordability data sets are based on Census Tract data 2009-2013.

<sup>iv</sup> Average water bill for HBWS customer using 13,000 gpm is \$47.74 (accounting for cost of inflation) per <http://www.boardofwatersupply.com/cssweb/display.cfm?sid=2198>.

<sup>v</sup> Includes leak detection programs, conservation pricing, interconnections between utilities, drilling new wellheads, emergency water distribution, aquifer storage and recovery.

**APPENDIX C - FEDERAL CAPITALIZATION GRANT PAYMENTS AND  
DISBURSEMENT SCHEDULE FOR FFYS 2017 AND 2018**

**APPENDIX C**  
**FEDERAL CAPITALIZATION GRANT PAYMENTS AND DISBURSEMENT**  
**SCHEDULE FOR FFYs 2017 AND 2018**

| FFY       | Quarter | Application for EPA Loan Payments (\$) | Application for Set Asides Payments (\$) | Set Asides Disbursements (\$) | DWSRF Loan Disbursements (\$) |
|-----------|---------|--|--|-------------------------------|-------------------------------|
| 2017      | 1       | 0.00                                   | 724,956.00                               | 1,061,805.00                  | 5,976,355.00                  |
| 2017      | 2       | 5,922,176.00                           | 554,956.00                               | 891,805.00                    | 7,143,130.00                  |
| 2017      | 3       | 0.00                                   | 554,956.00                               | 891,805.00                    | 12,912,043.00                 |
| 2017      | 4       | 0.00                                   | 554,956.00                               | 891,805.00                    | 8,143,941.00                  |
| Sub Total |         | 5,922,176.00                           | 2,389,824.00                             | 3,737,220.00                  | 34,175,469.00                 |
| Totals    |         | 8,312,000.00                           |  | 37,912,689.00                 |                               |

| FFY       | Quarter | Application for EPA Loan Payments (\$) | Application for Set Asides Payments (\$) | Set Asides Disbursements (\$) | DWSRF Loan Disbursements (\$) |
|-----------|---------|--|--|-------------------------------|-------------------------------|
| 2018      | 1       | 0.00                                   | 689,036.00                               | 1,025,885.00                  | 11,599,860.00                 |
| 2018      | 2       | 5,803,856.00                           | 669,036.00                               | 1,005,885.00                  | 12,116,571.00                 |
| 2018      | 3       | 0.00                                   | 669,036.00                               | 1,005,885.00                  | 8,353,877.00                  |
| 2018      | 4       | 0.00                                   | 669,036.00                               | 1,005,885.00                  | 13,464,132.00                 |
| Sub Total |         | 5,803,856.00                           | 2,696,144.00                             | 4,043,540.00                  | 45,534,440.00                 |
| Totals    |         | 8,500,000.00                           |  | 49,577,980.00                 |                               |

## APPENDIX D - NOTICE OF PUBLIC PARTICIPATION & INPUT

## APPENDIX D

### NOTICE OF PUBLIC PARTICIPATION & INPUT

#### I. Public Notice Activity

Pursuant to 40 CFR 35.3150, a notice of public participation and input was published on the Department of Health's website (<http://health.hawaii.gov/sdwb/drinking-water-state-revolving-fund/>) on April 29, 2016 to consider the proposed *Drinking Water Treatment Revolving Fund Intended Use Plan (IUP) for The State of Hawaii Fiscal Year (SFY) 2017 and The Federal Fiscal Year (FFY) 2016 Appropriation*. The public comment period was established from April 29, 2016 to May 29, 2016.

Evidence of the publication of the public notice is on-file in the Safe Drinking Water Branch office at 919 Ala Moana Blvd., Room 308, Honolulu, Hawaii 96814.

#### II. Summary

*(Summary to be inserted and signed following completion of the public comment period.)*

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JOANNA L. SETO, P.E., CHIEF  
Safe Drinking Water Branch

**State of Hawaii**  
**Notice of Public Participation and Input on the Revised Proposed**  
**Drinking Water Treatment Revolving Loan Fund (DWTRLF)**  
**Intended Use Plan (IUP) for the State of Hawaii Fiscal Year (SFY) 2017 and**  
**The Federal Fiscal Year (FFY) 2016 Appropriation**

Pursuant to Chapters 342 and 91, Hawaii Revised Statutes, Section 101(e) of Public Law 92-500 and the U.S. Environmental Protection Agency Regulations, 40 CFR 35.2015, notice is hereby given that a public comment period is being initiated to allow public participation and input on the Intended Use Plan for SFY 2017.

The U.S. Environmental Protection Agency provides grants to the State of Hawaii annually to construct drinking water facilities and support other drinking water program activities. During SFY 2017, approximately \$8,312,000.00 is expected to be allocated to the State of Hawaii. In order to utilize the federal and matching state revolving funds, proposed projects must be prioritized and listed in the *DWSRF Priority List of Projects for SFY 2017* (Appendix A of the Intended Use Plan).

Upon written request, a public hearing may be scheduled for any county. Requests for a public hearing must be received by the Safe Drinking Water Branch by **May 29, 2016**. If a public hearing is deemed appropriate, a second public notice will be published with the date, time and location of the public hearing.

Information regarding the Intended Use Plan may be obtained by calling or writing to the Safe Drinking Water Branch Oahu address noted below. The proposed Intended Use Plan for SFY 2017 will be on file and available for review from **April 29, 2016 to May 29, 2016** at the locations listed below. If, due to disability, you have special needs for commenting on the proposed Intended Use Plan, please contact the Safe Drinking Water Branch Oahu address noted below or call 586-4258 (voice) by **May 29, 2016**.

**Oahu**

Safe Drinking Water Branch  
State Department of Health  
919 Ala Moana Blvd., Room 308  
Honolulu, Hawaii 96814  
Telephone: (808) 586-4258  
Contact: Joan Corrigan

**Kauai**

District Health Office  
Department of Health  
3040 Umi Street  
Lihue, Hawaii 96766  
Telephone: (808) 241-3323  
Contact: Gerald Takamura

**Maui**

District Health Office  
Department of Health  
54 High Street  
Wailuku, Hawaii 96793  
Telephone: (808) 984-8234  
Contact: Patricia Kitkowski

**East Hawaii**

Environmental Health Facility  
Department of Health  
1582 Kamehameha Avenue  
Hilo, Hawaii 96720  
Telephone: (808) 933-0401  
Contact: Eric Honda

**West Hawaii**

Department of Health  
Keakealani Building  
79-1020 Haukapila Street, Room 110  
Kealahou, Hawaii 96750  
Telephone: (808) 322-1507  
Contact: Steven Okoji