



STATE OF RHODE ISLAND
FY 2018 INTENDED USE PLAN

in support of the

FEDERAL FISCAL YEAR 2017 CAPITALIZATION GRANT

*To be made available by the Safe Drinking Water Act Amendment of 1996 for the
Drinking Water State Revolving Fund*

I. INTRODUCTION

This Intended Use Plan (IUP) serves as the State of Rhode Island's application for the Environmental Protection Agency's Federal Fiscal Year 2017 Drinking Water State Revolving Fund (DWSRF) Capitalization Grant as authorized by § 1452 of the Safe Drinking Water Act Amendments of 1996 (the Act). The Plan requests the award of a grant totaling \$8,241,000. The Rhode Island Infrastructure Bank (the Bank and formerly known as Rhode Island Clean Water Finance Agency) agrees to provide the appropriate State Matching Funds of \$1,648,200 for the Federal fiscal year 2017 grant. The State Match will be deposited into the DWSRF upon payment of Federal funds into the Automated Standard Application for Payments (ASAP) account as required by the Act.

II. THE RHODE ISLAND DWSRF PROGRAM

A. Administration

The entities involved in the application for this federal capitalization grant are the Bank and the Rhode Island Department of Health (RIDOH). The Bank is the designated lead agency of the State of Rhode Island DWSRF Program and is empowered to enter into capitalization grant agreements with the Regional Administrator, to accept capitalization grant awards, and to otherwise manage the fund in accordance with the requirements and objectives of the SDWA Amendments of 1996, as established by Chapter 46-12.8 of the General Laws of Rhode Island as amended.

RIDOH is designated as the primacy agency for the SDWA, and will be responsible for: establishing assistance priorities; assisting in developing the IUP; establishing project priority lists; determining project eligibility; performing technical project reviews; monitoring construction; approval or denial of payment and determining and implementing the Technical Assistance, Local Assistance and State Program Management set-aside programs.

A Memorandum of Understanding, (MOU) exists between the two agencies and is included as Attachment D to the application package.

B. Planned Program Activities

This capitalization grant application is for the project amounts and set-aside dollars made available to the State of Rhode Island for federal fiscal year 2017.

The IUP included as Section III.B to this document outlines the anticipated use of all dollars available in the DWSRF and the methods of financing to be used to make construction loans to Rhode Island-based water suppliers.

The current financial structure of Rhode Island's DWSRF Program is the culmination of extensive modeling and analyses which provides the DWSRF Program with the flexibility to accomplish its goals within the changing financial, legal and/or political environment.

The State of Rhode Island DWSRF has a financing structure flexible enough to meet the needs of the varied types of water suppliers who seek financial assistance from the program while ensuring the financial health of the DWSRF, the Bank, its bond holders, and existing financial assistance programs. The financial structure attempts to maximize the number and volume of loans the Bank can safely make to the local communities and water supply authorities while complying with the SDWA Amendments of 1996 and the associated rules promulgated by EPA.

III. CAPITALIZATION GRANT AGREEMENT

A. EPA/Bank Operating Agreement

The Operating Agreement (OA) which establishes a mutual obligation between the EPA and the Bank for the implementation of the DWSRF has been in effect since December 1997. The purpose of the OA is to define and integrate rules, regulations, guidelines, policies, procedures, and activities to be followed by EPA and the Bank in administering the DWSRF Program prescribed by § 1452 of the SDWA. The OA will continue from year-to-year and will be incorporated by reference into the annual SRF capitalization grant agreement.

The Bank agrees that any modifications to this agreement that may be required by EPA regulations, policies, or program guidance, will be made and implemented where applicable within six months of issuance or on such other schedule as negotiated with EPA. If feasible, such modifications may be discussed at the time of the annual review. EPA agrees that, unless mandated by Federal law, modifications will not apply retroactively, unless agreed to by the Bank.

Detailed information concerning Rhode Island's SRF laws, rules, policies and procedures are incorporated by reference in the OA. During or before the annual capitalization grant application submittal process, changes to the OA will be considered and only the materials relevant to the proposed changes shall be submitted for EPA's consideration.

Information which changes from year-to-year shall be contained in the Annual Application

for Federal Assistance and the IUP. Several specific assurances necessary for submittal of a capitalization grant agreement are included in the OA. These include:

- An assurance that the State has the authority to establish the DWSRF and will operate the DWSRF program in accordance with the SDWA;
- Assurance that the State will use Generally Accepted Accounting Principles;
- Assurance that the State will have the DWSRF fund and set-aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards;
- Assurance that the State will commit and expend funds as efficiently as possible and in an expeditious and timely manner;
- Assurance that funds will be used in accordance with the IUP, and;
- Assurance that the State will provide EPA with an annual or biennial report.

Other assurances specific to the award and acceptance of the DWSRF capitalization grant are noted in the IUP, included as the next section of this document.

As per the OA, EPA agrees to review the capitalization grant application and take appropriate action within 60 days of receipt of a complete application (Application for Federal Assistance with supporting documentation and certifications and any modifications to the OA, the annual IUP, and proposed payment schedule) in the Regional Office. EPA shall either approve the application and award the capitalization grant or shall notify the Bank in writing of issues requiring resolution. The Bank and EPA agree to negotiate promptly, cooperatively, and in good faith to clarify or resolve questions which may arise during review of the Capitalization Grant application. The Bank agrees to act upon the Capitalization Grant offer within 30 days of EPA approval.

III. Capitalization Grant Agreement

B. DWSRF Intended Use Plan

1. Introduction

The Bank and RIDOH hereby submits to EPA, the IUP for the SDWA, § 1452 funds available to the State of Rhode Island for Federal fiscal year 2017. The Federal fiscal year 2017 allotment for the State of Rhode Island is \$8,241,000. The 20% state match requirement of \$1,648,200 will be deposited into the DWSRF upon payment of Federal funds into the Bank's ASAP account as required by the Act.

The State of Rhode Island is currently not contemplating the transfer of capitalization grants from the DWSRF to the Clean Water State Revolving Fund (CWSRF) or vice-versa; but reserves the right to do so if the need arises. The State reserves the right to transfer up to 33% of the DWSRF capitalization grant to the CWSRF, or an equivalent amount from the CWSRF to the DWSRF. Since program inception, no transfers have been made.

With the award of the federal grant, it is the State's intention to continue a subsidized loan program for eligible publicly and privately organized drinking water suppliers in the State of Rhode Island.

To determine which projects are to be funded by the DWSRF, RIDOH has prepared its Project Priority List (PPL). RIDOH identifies projects to be funded starting from the highest rated and working down to the funding line drawn across the PPL. In addition to the most current PPL, a carryover list is later discussed in this document.

Projects expecting to need SRF funds in the next fiscal year are identified in priority order. RIDOH has developed a tie-breaking procedure; by-pass provisions; by-pass for small systems procedure; and emergency projects procedure as part of the Rules and Regulations Pertaining to the DWSRF Program which are included as Attachment B to the grant application package.

The PPL was formatted in accordance with EPA requirements of Green Project Reserve (GPR) and the base DWSRF program. Although the State chose the option of opting out of the GPR for FY 2018, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR.

2. Revision to the IUP

This IUP is for construction projects listed on the PPL. Throughout the course of the year, the need may arise to amend this IUP. In the event that projects identified for funding in the IUP are unable to proceed, funding assistance for these projects will be deferred and other projects from the PPL will be selected for funding based on procedures in the priority determination system, readiness to proceed, and availability of funds. Any qualified DWSRF applicant that has funding assistance deferred will be informed in writing by the Bank.

3. Short and Long-Term Goals

As required by the SDWA, the DWSRF Program has identified the following goals. The IUP details the short and long-term goals that the Bank and RIDOH has developed to support the overall objectives of the DWSRF program of ensuring affordable drinking water, ensuring public health protections, complying with SDWA, and maintaining the long-term financial health of the fund.

Both entities will develop and administer all their respective proper rules, regulations and policies to implement the program. The goals described below are grouped according to short-term and long-term objectives and are not listed in any particular order:

Goal #1: To manage and establish a DWSRF Program in compliance with the SDWA of 1996 (§ 1452).

Goal #2: Manage the DWSRF to distribute funding to eligible public and privately organized water suppliers in a timely and efficient manner.

Goal #3: Endeavor to provide 15% of project funds for assistance to small systems on an annual basis. Continued outreach efforts to small systems in an effort to educate and better promote the DWSRF, in order to maintain a pipeline of projects that are eligible to receive funding.

Goal #4: Maintain the Capacity Development Program as per § 1420 of the Act.

Goal #5: Maintain a Source Water Protection Program in accordance with § 1453 of the Act.

Goal #6: Maintain a Disadvantaged Community loan program for those water suppliers meeting the Disadvantaged Community Program criteria.

Goal #7: Prepare an annual report which lists the State's accomplishments for the fiscal year; submit to EPA in a timely manner.

Goal #8: Develop various work plans for use of specific set-aside dollars.

Goal #9: Assure full compliance with § 1452 of the SDWA and all Federal crosscutting issues as required by the 1996 SDWA amendments.

Goal #10: Through effective management, provide a self-sustaining funding program that will assist public water systems in achieving compliance with the SDWA and maintaining the public health objectives of the SDWA.

Goal #11: Maintain the fiscal integrity of the DWSRF and comply with generally accepted governmental accounting principles to assure continuance of loan funds for future generations.

Goal #12: Coordinate DWSRF activities with other state and federal activities relating to public drinking water.

Goal #13: Continue to reduce ULOs associated with capitalization grant awards and work towards achieving EPA's ULO Objective.

4. Program Issues and Initiatives

This IUP addresses the sources of funds expected to be available to the DWSRF through state fiscal year 2018. The uses of these funds are expected to begin in Federal fiscal year 2018. The financing capability of this IUP is based upon the total Federal award, (the FFY 2017 grant being applied for herein), less the amounts designated for the set-aside programs, plus the state match when due. Principal and interest repayments to the fund, plus interest and equity earnings will be returned to the fund and recycled. The use of recycled funds will be accounted for in the IUP for the year in which they become part of a new series LIST or are used as a Federal Direct Loans.

In order to fulfill the proportionality requirement, the State will continue to use the 100% state match equivalent disbursement method to ensure compliance with the requirement for this and future grants.

The resources available are State Match repayments totaling \$2,897,000; De-Allocated List funds totaling \$17,986,000; Revenue fund Release (to Deallocated List; includes interest earnings) totaling \$5,830,000; 2017 capitalization grant and State Match (minus

set-asides) totaling \$ 7,154,400 and Bond Proceeds totaling \$10,928,670.

As of June 30, 2017, and for the life of DWSRF, the Bank has made 68 drinking water loans totaling \$447,983,138.

Projects on the 2017 PPL total \$762,874,000 and the total amount of projects that can be funded this year totals \$45,000,000 therefore, the Bank estimates its funding gap to be \$717,874,000.

The Bank anticipates closing on the following loans in FY18; Woonsocket \$25,000,000; Cumberland \$7,000,000; City of East Providence \$1,750,000; Portsmouth Water and Fire District \$1,750,000 and the Quonset Development Corp. \$477,000.

To not have the PPL be a “wish list” for water suppliers and to get an accurate forecast of the funding needs; RIDOH’s annual solicitation letter requested water systems to only submit projects that will start construction within two years.

Resources will be allocated to long-term subsidized direct loans and/or leveraged loans to local governmental units and privately organized water suppliers in need of financing for identified capital projects. The State will require adherence to all aspects of the Davis-Bacon Act to every project funded. The RIDOH’s Office of Drinking Water Quality requires that EPA’s Attachment 6 Wage Requirements under FY 2012 Appropriations Act become part of the project specifications. Additionally, EPA’s memorandum dated November 16, 2012 Class Deviation Prevailing Wage Interview Interval Requirements are required to be in the specifications as well as in the project files. Furthermore, a copy of the Rhode Island Rules and Regulations Relating to Prevailing Wages (Revised March 26, 2012) are also included in the specifications.

Set-aside monies will be used according to the work plans prepared for each set-aside. Table I estimates the loan potential of Rhode Island’s DWSRF based on the type of financing employed. With this application, the State will be utilizing \$252,630 of the Administrative Set-aside; \$1,081,200 of the State Program Management Set-aside; \$1,236,150 of the Local Assistance Set-aside and \$164,820 for the Technical Assistance Set-aside. Set-aside programs are discussed in depth later in this document.

TABLE I
Total Capital Grants in the RI DWSRF Program

FFY	Grant Award	State Match	Set-Asides	Reserved Set-Aside Authority	Total Capital in the RI DWSRF
1997	\$12,558,800	\$2,511,760	(\$2,260,584)		\$12,809,976
1998	\$7,121,300	\$1,424,260	(\$817,074)		\$7,728,486
1999	\$7,463,800	\$1,492,760	(\$1,221,018)		\$7,735,542
2000	\$7,757,000	\$1,551,400	(\$1,204,679)	(\$982,305)	\$7,121,416
2001	\$7,789,100	\$1,557,820	(\$1,629,929)		\$7,716,991
2002	\$8,052,500	\$1,610,500	(\$2,496,275)	(\$821,133)	\$6,345,592
2003	\$8,004,100	\$1,600,820	(\$2,481,271)		\$7,123,649
2004	\$8,303,100	\$1,660,620	(\$2,573,961)		\$7,389,759
2005	\$8,285,500	\$1,657,100	(\$2,568,505)		\$7,374,095
2006	\$8,229,300	\$1,645,860	(\$2,551,083)		\$7,324,077
2007	\$8,229,000	\$1,645,800	(\$2,550,990)		\$7,323,810
2008	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2009	\$8,146,000	\$1,629,200	(\$2,525,260)		\$7,249,940
2010	\$13,573,000	\$2,714,600	(\$2,171,680)		\$14,115,920
2011	\$9,418,000	\$1,883,600	(\$376,720)		\$10,924,880
2012	\$8,975,000	\$1,795,000			\$10,770,000
2013	\$8,421,000	\$1,684,200	(\$2,021,040)		\$8,084,160
2014	\$8,845,000	\$1,769,000	(\$2,741,950)	(\$44,360)	\$7,827,690
2015	\$8,787,000	\$1,757,400	(\$2,723,970)		\$7,820,430
2016	\$8,312,000	\$1,662,400	(\$1,329,920)		\$8,644,480
2017	\$8,241,000	\$1,648,200	(\$2,734,800)		\$7,154,400
TOTAL	\$182,657,500	\$36,531,500	(\$41,505,969)	(\$1,847,798)	\$175,835,233

Available Capital: \$175,835,233

Loans Executed: \$447,983,138

5. Financial Plan and Structure for the DWSRF

The Bank will receive a Federal capitalization award of \$8,241,000 for Federal fiscal year 2017, the State Match for which, in the amount of \$1,648,200, will be deposited to the Fund upon payment of Federal funds into the ASAP account. The Bank will provide such funds through a variety of methods available to it.

On a yearly basis the Bank coordinates with RIDOH, borrowers and our financial advisory firm to evaluate the borrowing needs of the State. The RIDOH annually sends out letters to all its eligible water systems for new projects or updates to the projects already listed on the PPL. The Bank and RIDOH meet with all the communities that respond that they would like to pursue their projects in the funding year. The Bank has its financial advisor run a capacity model to see how much funding the Bank can provide in the fiscal year and several years out. The Bank compares the need from the communities/water systems to the capacity of the Bank to see if the funding needs can be accomplished currently and in future years.

The Bank calculates how much Capitalization Grant Funds, State Match Funds, Borrower Repayments and how much the Bank will have to issue in Bank Revenue Bonds to meet the needs of its water systems/communities in the current year and future funding years. Once information is compiled, the Bank evaluates all resources available to it to meet the annual demand and commences with its financing schedule.

A. Loan Terms and Fees

Rhode Island's DWSRF program offers an economic benefit to its borrowers in the form of loan interest subsidization. The standard interest rate is $\frac{1}{4}$ off the borrowers' market rate of borrowing. Loans can be up to twenty years and can be structured to meet the repayment abilities unique to each borrower. Loan fees include a 1% loan origination fee and a 0.5% service fee on the outstanding balance of the loan. Interest is collected twice annually and principal is collected once annually. The Bank uses its fees to pay for program administration costs and other operating expenses.

B. Additional Subsidization

Projects will be funded at 25% less than the borrowers' rate with \$1,648,200 distributed amongst all the borrowers as principal forgiveness. The Bank is anticipating using a portion of the \$1,648,200 to fund small systems and the remainder of the monies will be distributed amongst all the borrowers. Principal forgiveness will be given to projects that are on the PPL list, have a certificate of approval, and are ready to proceed.

The FFY 2015 capitalization grant subsidy requirement of \$1,757,400 has been fully committed. We expect that the FFY 2016 capitalization grant subsidy requirement of \$1,662,400 will be fully committed during the Bank's FY 2018.

C. Investment Practices

The Bank has an investment policy for "idle" funds, with most invested in short-term investments until the Bank can allocate those funds into the next pool of borrowing. The Bank, along with its financial advisors closely monitor their investment options. Since the inception of the DWSRF Program, loan demand had been met using direct loans, i.e., loans made with a proportionate amount of Federal dollars and state match dollars; however, in March 2004 the Bank created a leveraged DWSRF Program. The leveraging ratio for the program is ~2 to 1. As a result, the Bank maximizes its loan capability by issuing revenue bonds to meet the funding need. The Bank will use the 100% State Match equivalent disbursement method, that is, disburse 100% of the State Match before any of the Federal monies are disbursed to meet the proportionality requirement.

D. Method of Distributing Funds

The DWSRF will provide loans for up to 100% of eligible project and finance costs, consistent with Federal limitations on the use of DWSRF funds, with the State determining the eligibility based on State developed criteria. RIDOH has developed the project priority determination system and has prepared the Project Priority List for this fiscal year. The Bank will fund projects that appear on the approved PPL in the order in which they appear and/or readiness to proceed to the extent that the borrowers access the fund. Periodic mailings and notices of fund availability have been provided to all eligible borrowers.

Currently, the Bank and RIDOH are structuring loans and project approvals for several projects around the State.

The Bank and RIDOH will take several factors into consideration when determining which projects from the PPL will be funded by the DWSRF. These factors include:

- That project will provide a necessary health benefit in accordance with the Act;
- That the water supplier will make application to the SRF for financing
- That the water supplier has the financial, managerial and technical ability to apply for, receive and repay the DWSRF loan;
- That projects are ready to proceed at the time of financing availability.

7. Project Priority System

The RIDOH utilizes a point system to rank the order in which eligible drinking water projects will receive funding from the DWSRF. Projects which address acute public health issues will receive highest priority. The next priority is given to projects that address chronic and long term public health issues. The ranking criteria also consider issues related to compliance with the SDWA, infrastructure upgrading and replacement, and the need for assistance based on affordability. The Ranking System and Scoring Criteria are included in the RIDOH's Rules and Regulations Pertaining to the DWSRF Program. Additionally, EPA released a draft DWSRF Eligibility Handbook in March 2016 which will help assist the State with eligibility questions.

Each year, all eligible public drinking water systems will be asked to submit information on projects for which they are seeking DWSRF funding or private funding for the next funding year. The information will be reviewed by the Department of Health and then given a priority ranking score based on the ranking system as detailed in the Rules & Regulation pertaining to the DWSRF. The eligible projects and their respective information will then be listed in order of priority, highest to lowest, in a PPL. The project list will show the following information: name of system, PWS ID number, project description, population served, priority point score, anticipated start date, and project dollars to be funded.

8. Activities to be supported

The RIDOH administers the set-aside programs targeted towards assisting water supply systems in meeting the broad-based goals of the program Table III below illustrates the dollars spent on set-aside programs. A discussion of each set-aside program follows:

**Table II
Allotment of Set-Aside Dollars Requested**

FFY Grant	Administrative	Technical Assistance	State Program Mgmt	Local Assistance	Total Set-asides
1997	\$502,352	\$251,176	\$251,176	\$1,255,880	\$2,260,584
1998	\$284,852	\$0	\$532,222	\$0	\$817,074
1999	\$298,552	\$149,276	\$400,000	\$373,190	\$1,221,018
2000	\$310,280	\$297,566	\$1,579,138	\$0	\$2,186,984
2001	\$311,564	\$0	\$150,000	\$1,168,365	\$1,629,929
2002	\$322,100	\$316,832	\$1,470,601	\$1,207,875	\$3,317,408
2003	\$320,164	\$160,082	\$800,410	\$1,200,615	\$2,481,271
2004	\$332,124	\$166,062	\$830,310	\$1,245,465	\$2,573,961
2005	\$331,420	\$165,710	\$828,550	\$1,242,825	\$2,568,505
2006	\$329,172	\$164,586	\$822,930	\$1,234,395	\$2,551,083
2007	\$329,160	\$164,580	\$822,900	\$1,234,350	\$2,550,990
2008	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2009	\$325,840	\$162,920	\$814,600	\$1,221,900	\$2,525,260
2010	\$542,920	\$271,460	\$1,357,300	\$0	\$2,171,680
2011	\$376,720	\$0	\$0	\$0	\$376,720
2012	\$0	\$0	\$0	\$0	\$0
2013	\$336,840	\$168,420	\$673,680	\$842,100	\$2,021,040
2014	\$353,800	\$221,260	\$884,500	\$1,326,750	\$2,786,310
2015	\$351,480	\$175,740	\$878,700	\$1,318,050	\$2,723,970
2016	\$166,240	\$0	\$831,200	\$332,480	\$1,329,920
2017	\$252,630	\$164,820	\$1,081,200	\$1,236,150	\$2,734,800
TOTAL	\$6,704,050	\$3,163,410	\$15,824,017	\$17,662,290	\$43,353,767

A. Administration

RIDOH and the Bank use the annual allotments of administrative set-aside to manage the DWSRF. It is expected that the accumulation of annual administrative set-aside award will outlast the Federal capitalization period, thus assuring adequate revenue for perpetual program administration. The Bank is the lead agency responsible for DWSRF fund administration while RIDOH is the primacy agency responsible for regulatory and programmatic aspects of the DWSRF.

With this application, the Program intends to use \$252,630 of the federal capitalization grant funds for RIDOH and the Bank administrative costs to support the DWSRF program.

B. Technical Assistance for Small Systems

The State is utilizing \$164,820 of the FFY 2017 Capitalization Grant for technical assistance. Technical Assistance set-aside monies can be used for technical training to the operators of small public water systems specifically targeting operation and

maintenance issues including water quality improvement and compliance with the SDWA. The bulk of the Technical Assistance set-aside funding is used to fund contracts to provide outreach services, financial management and technical training and assistance. A portion of the set-aside can be used to provide assistance to small community water systems in preparing Consumer Confidence Reports (CCRs).

C. State Program Management

A maximum of 10% of a Capitalization Grant can be allocated for State Program Management (SPM) activities if a one-to-one match of State money (but not the State match) is provided. Based on the ability to match federal funds, the State will be utilizing \$824,100 of the capitalization grant and an additional \$257,100 from the reserved authority from past years.

RIDOH uses the SPM set-aside to fund various activities which are mandated by the SDWA including:

- to maintain the Capacity Development Program to ensure that water systems have the technical, managerial, and financial capacity to meet existing and future SDWA regulations;
- to fund a portion of the Operator Certification Program;
- to fund a portion of the Drinking Water Laboratory Quality Control and Quality Assurance Officer within the Department of Health;
- And, to fund existing drinking water programs including a portion of other Public Water Surveillance Program activities.

The SDWA Amendments of 1996 require that states meet specific mandates or risk losing a portion of their federal grant. Failure to implement a Capacity Development program and/or Operator Certification Program that are at least as stringent as the federal guidelines will result in a state losing up to 20% of their capitalization grant each year.

D. Local Assistance

The State will be utilizing \$1,236,150 of the FFY 2017 Capitalization Grant for Local Assistance activities. Activities include public outreach and education to promote source protection and support water system capacity, water system technical assistance, continued development of a GIS-based groundwater quality database, guidance for contract operators and facility improvement planning. Services and products will be delivered through a combination of office staff and contracted services.

9. List of Projects to be Funded

RIDOH, in preparation of its Fiscal Year 2017 PPL, had surveyed water suppliers around the State to gauge interest and readiness to proceed for projects needing DWSRF funding provided by the FFY 2017 Capitalization Grant. A list of potential borrowers, the projects to be funded, the project's ranking score, and estimated dollar amount of the project is provided as Appendix A to the IUP. The PPL was put on notice for public review on April 21, 2017 and can be found on RIDOH's DWSRF webpage.

Additionally, RIDOH has a Project Carry-Over List list identifies large multi-year projects that require more than one borrowing event. These projects were partially funded in prior years, but are not yet complete and may have been removed from the PPL after the initial loan was made.

**Table III
Project Carry-Over List**

Borrower	Project	PPL Amount Requested	Amt Under Binding Commitment	Carryover Amount
Providence Water Supply Board	Lead Services	\$100,000,000	\$84,272,095	\$15,727,905

10. Green Infrastructure

The PPL was formatted in accordance with EPA requirements of GPR and the base DWSRF program. Although the State chose the option of opting out of the GPR commencing with FY 2012, the format will remain the same in the event the State does not have the option of opting out in the future or chooses to implement GPR again.

11. Disadvantaged Community Program

As mandated in the Safe Drinking Water Act Amendments of 1996, the State of Rhode Island has developed criteria for awarding additional financial assistance to those water suppliers whose service area is determined to be economically disadvantaged. The additional financial assistance will be in the form of increased interest subsidization on DWSRF loans. RIDOH and the Bank submitted the following criteria to all public and community water suppliers in the State and EPA for their review and input in August of 1998:

- To participate in the Disadvantaged Community Program, an eligible DWSRF borrower must be a community public water system;
- The water supplier must make application to RIDOH for inclusion on the Project Priority List, and application to the Bank for a DWSRF loan in the current year;
- The water supplier must have a service area Median Household Income figure (MHI) less than or equal to the State Non-Metropolitan MHI which is currently \$58,073;
- A debt service schedule for a standard DWSRF loan (25% interest subsidy) will be calculated for the project loan being contemplated. The schedule will be added to the water suppliers existing rate structure and the resultant annual user fee, when compared to the service area MHI, must be greater than 0.999 percent;
- The Disadvantaged Community Program will be in effect to the extent monies are available;
- If found to be eligible for the Disadvantaged Community Program, additional interest subsidies will be calculated as per the following schedule:

User fees with DWSRF Debt Service/Service Area MHI	Subsidy
Less than or equal to 0.999 %	25% interest subsidy
1.000% to 1.249%	50% interest subsidy
1.250% to 1.499%	75% interest subsidy
Greater than or equal to 1.500%	0% interest rate

The Bank and RIDOH will forward the criteria for the Disadvantaged Community Program to the water suppliers in the State who request the information. The Disadvantaged Community Program as presented herein has been implemented and all eligible borrowers will be examined as to qualification for additional loan subsidies. At this time; no borrowers have applied for disadvantaged monies. The Bank will continue to examine all applicants to see if they qualify.

12. Small Systems

The Bank and RIDOH are doing their best to achieve the 15% small system requirement. The SDWA requires that 15% of available funding be dedicated to small systems that regularly serve less than or equal to a population of 10,000. The Bank has been meeting with small systems to determine what are the challenges in accessing the DWSRF program. It is anticipated that with the award of this new capitalization grant; principal forgiveness will be offered to the small systems as a way to get them into the program. Additionally, the Bank is developing a formal small system plan to submit to EPA by September 30, 2017.

RIDOH and the Bank are committed to developing a comprehensive initiative to engage small water systems, with a focus on very small water systems. This initiative will allow qualifying small water systems to receive financial assistance, including principal forgiveness for infrastructure projects that are needed to achieve compliance with current and future standard of the SDWA. This comprehensive initiative will provide tiered parameters on developing a list of qualifying small water systems and what levels of financial assistance are available. The initiative will include assistance to the small water systems for engineering services through the small system engineering services contract that is funded through RIDOH set-asides. Set aside funds will be used to assist the small water systems with these costs of an engineer.

Systems seeking financial assistance must be listed on the Project Priority List and to access financial assistance must have a certificate of approval.

Included in this initiative will be the development of a marketing plan that RIDOH and the Bank will use to provide a clear market signal to small water systems on project eligibilities and financial assistance. RIDOH and the Bank will engage with small water systems to reduce the barriers that they have for applying for and obtaining financial assistance through the DWSRF program.

13. Emergency Power Generator Initiative

Included in the small water systems comprehensive initiative will be a focus of accelerating improvements, including the installation of emergency generators, that will increase the resiliency of small water systems to impacts of extreme weather events. Emergency generators will be available to all system eligible for DWSRF funding, but the

level of financial assistance, including principal forgiveness, will be determined in the parameters set by the small systems initiative. Extreme weather events leave many customers of PWSs throughout Rhode Island without water service for extended periods of time due to power outages. On these occasions, boil water advisories are issued to residents of PWSs that lose water service until water pressure is restored and water quality testing determines that the water is safe for consumption. All eligible projects that receive a certificate of approval from RIDOH and are ready to proceed may be funded.

14. Assurances and Specific Proposals

The Bank provides the necessary assurances and certifications for the DWSRF as part of the OA between the Bank and the EPA. Refer to Rhode Island’s OA for specific assurances regarding the State Environmental Review Process to be done by RI DEM; agreement to comply with federal cross-cutters; agreement to enter into binding commitments; and agreement to the timely expenditure of funds.

15. Schedule of Payments into the Automated Clearing House (ACH)

The Rhode Island DWSRF anticipates funding its Automated Clearing House (ACH) account in a manner to be agreed upon by the EPA and the Bank to allow for maximum capitalization grant draws as may become necessary. The Rhode Island DWSRF program anticipates deposits into the ASAP account for the FFY17 capitalization grant as per the following schedule:

**Table IV
Anticipated Payments Into EPA/ ACH Payment system**

Federal Fiscal Quarter	Payment Into ACH	Cumulative Ceiling
Oct - Dec 2017 (18-1)	\$4,120,500	\$4,120,500
Jan - Mar 2018 (18-2)	\$4,120,500	\$8,241,000
Apr - Jun 2018 (18-3)	\$0	\$0
Jul - Sep 2018 (18-4)	\$0	\$0

16. Schedule of Cash Draws from the ASAP

The ultimate method of financing used (e.g., direct loans, leveraged loans or combination) and the anticipated start and completion dates of the projects to be funded will determine an accurate cash draw schedule from the ASAP account. The Bank and RIDOH are cognizant of, and will abide by all cash draw rules as prescribed by EPA.

17. Schedule of Binding Commitments

In accordance with § 1452(g)(3)(A) of the SDWA Amendments of the 1996, the State of Rhode Island agrees to enter into binding commitments to provide financial assistance to eligible water suppliers. A binding commitment for the State of Rhode Island’s DWSRF program is defined as that point in time when both a Certificate of Approval for the project has been issued by RIDOH and a loan agreement with the Bank is in place. The State of Rhode Island agrees to make binding commitments in an amount equal to or greater than the amount of each grant payment and State Match that is deposited into the DWSRF

within one year after the grant payment.

18. Public Review and Comment

The IUP is subject to review and comment by the public prior to its incorporation into the State of Rhode Island's Capitalization Grant agreement with EPA. The IUP was put to public notice on August 10, 2017 in the Providence Journal and was simultaneously sent to all interested parties by request.

The FY 2017 PPL was put on public notice on April 21, 2017 and sent to all interested parties (all DWSRF eligible water systems, local interest groups, and involved units of government). The PPL became final on May 20, 2017. As utilities show interest in utilizing the DWSRF Program, RIDOH revises the PPL yearly so that the utilities may access DWSRF funds.

19. Audits and Reporting

The Bank and RIDOH are committed to entering data into the EPA Drinking Water National Information Management System (NIMS) and Project Benefits Reporting (PBR) System to evaluate the benefits of the RI DWSRF Program. The State will continue to adhere to Federal Funding Accountability & Transparency Act (FFATA); MBE/WBE; Single Audit Act and CCR/SAM. The State will also adhere to the requirements that sub-recipients provide a DUNS number prior to receiving a sub-award.