



Oklahoma

O K L A H O M A
DEPARTMENT OF ENVIRONMENTAL QUALITY
...for a clean, attractive, prosperous Oklahoma

Department of Environmental Quality

Drinking Water State Revolving Fund



Intended Use Plan for the 2007 Capitalization Grant
State Fiscal Year 2007

Effective 7-1-2006 through 6-30-2007

Appendix E

DEQ Schedules Public Meeting on Drinking Water State Revolving Fund

The Water Quality Division of the Department of Environmental Quality (DEQ) will hold a public meeting on Tuesday, May 23, 2006, at 1:30 p.m. in the DEQ Office Building, Multi-Purpose Room, at 707 N. Robinson, Oklahoma City. This meeting will be held to answer questions and receive public input on the SFY 2007 Intended Use Plan, the Priority Ranking System, and the Project Priority List for the Drinking Water State Revolving Fund. The Intended Use Plan outlines uses for federal funds allocated to Oklahoma and lists the proj-

ects as ranked for funding by the Priority Ranking System.

The Drinking Water State Revolving Fund was made possible by the passage of the Safe Drinking Water Act Amendments of 1996. The act authorized funds to be used by states to establish a revolving loan fund to address drinking water infrastructure needs and correct other water system deficiencies that might result in violations of drinking water standards. Federal law requires the public be given the opportunity to comment on the proposed plan.

A copy of the draft plan will be available on the DEQ website at: www.deq.state.ok.us. A copy may also be obtained by contacting Vicki Reed by phone at (405) 702-8100, or by E-mail at Vicki.Reed@deq.state.ok.us, or by mail at Water Quality Division, DWSRF and Construction Permit Section, Department of Environmental Quality, P.O. Box 1677, Oklahoma City, Oklahoma 73101-1677. A copy of the draft plan may be reviewed on the eighth floor at the DEQ offices, 707 N. Robinson, Oklahoma City, OK 73101-1677.

For more information on this public meeting call Vicki Reed or Patty Thompson at (405) 702-8100.



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Cover Picture: City of Bethany's new west clarifier at their Water Treatment Plant.

Appendix D

Federal Payment Schedule

	TOTAL	FY 2006				FY 2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
97 GRANT	\$12,117,711								
97 TRANSFER2	\$1,640,798								
98 GRANT	\$7,054,698								
98 TRANSFER2	\$1,561,614								
99 GRANT	\$7,394,040								
99 TRANSFER2	\$2,259,358								
00 GRANT	\$9,355,080								
00 TRANSFER2	\$1,781,920								
01 GRANT	\$8,935,747								
01 TRANSFER2	\$1,068,687								
02 GRANT	\$9,210,410								
03 GRANT	\$9,526,208								
04 GRANT	\$9,497,012								
05 GRANT	\$9,797,125			\$9,797,125					
06 GRANT	\$10,143,988				\$10,143,988				
07 GRANT	\$10,143,988								\$10,143,988
		\$ -	\$ -	\$9,797,125	\$10,143,988	\$ -	\$ -	\$ -	\$ -
Cum. Payments	\$111,488,384	\$81,403,283	\$81,403,283	\$91,200,408	\$101,344,396	\$101,344,396	\$101,344,396	\$101,344,396	\$111,488,384

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Appendix C Project Priority List

Priority Points	System	Loan Amount	Cumulative Amount	Population	Project Description	Anticipated Binding Commitment Date
Funding List						
225	Canadian Co. RWD #1	\$ 1,000,000.00	\$ 1,000,000.00	650	Construction of a water treatment facility including possible improvements to the water transmission, distribution, storage, and pumping systems.	6/1/2007
82	Rogers Co. RWD #6	\$ 500,000.00	\$ 1,500,000.00	1,000	Construction of 2 booster pump stations, line replacements, and remodel the existing office to make it ADA compliant.	4/1/2007
74	Pauls Valley MA	\$ 8,400,000.00	\$ 9,900,000.00	6,756	Construct a new water treatment plant; pump station renovations; construct a new 300,000 gallon elevated storage tank; new raw water and waste disposal lines; and new water lines.	3/1/2007
71	McCurtain Co. RWD #8	\$ 4,805,500.00	\$ 14,705,500.00	5,037	New water treatment plant, modifications to an existing pump station, and a new water transmission line.	10/1/2006
70	Guymon UA	\$ 2,352,000.00	\$ 17,057,500.00	10,472	Two new booster pump stations, 1MG ground storage tank, four new wells, 6800 L.F. of 16" and 18" water line.	4/1/2007
44	Frederick PWA	\$ 4,100,000.00	\$ 21,157,500.00	4,915	Replace obsolete and worn out equipment and meet new surface water treatment standards.	6/1/2007
40	Stillwater UA (II)	\$ 17,000,000.00	\$ 38,157,500.00	23,779	Construction of a new 20 mgd pump station, and 10 miles of 30-inch raw water line from Lake McMurry and Lake Carl Blackwell to the water treatment plant.	1/1/2007
37	Rogers Co. RWD #7	\$ 300,000.00	\$ 38,457,500.00	2,800	Construction of a 12" water line extension (8,800 L.F.) from Mullins Tower to EW 470 Road.	12/1/2006
34	Osage Co. RWD #15	\$ 1,642,548.00	\$ 40,100,048.00	3,525	Construct 1.67 miles of new 12" waterline and a new 140-200 gpm pumping station; construct 3.6 miles of new 8" water line and a new 200 gpm pump station; erect a new 250,000 gallon elevated storage tower, construct a new 150 gpm pump station, and modify existing pump station at Javine/Phillips Road from 165 gpm to 300 gpm.	10/1/2006
30	Tuttle PWA	\$ 1,300,000.00	\$ 41,400,048.00	4,284	Construct a Reverse Osmosis Water Treatment Plant or new transmission line to connect to OKC.	4/1/2007
30	Bethany PWA (II)	\$ 2,100,000.00	\$ 43,500,048.00	20,514	Water wells and raw water transmission.	6/1/2007
29	Piedmont MA	\$ 4,670,000.00	\$ 48,170,048.00	3,705	Construct six (6) miles of 16" water line, a new booster pump station, and a 400,000 gallon elevated storage tank, and one (1) mile of 10" water line.	9/1/2006
28	Sulphur MA	\$ 1,750,000.00	\$ 49,920,048.00	5,714	Construct approximately 23,500 linear feet of 16" water line and appurtenances and water well.	9/1/2006
26	Skiatook PWA	\$ 3,968,000.00	\$ 53,888,048.00	8,896	Water treatment plant upgrade, new water trunk line, and new water storage tank.	
26	Washington Co. RWD #3	\$ 8,000,000.00	\$ 61,888,048.00	14,137	Development of a new raw water supply and pump station, raw water conveyance system and WTP expansion.	12/1/2006
16	Spencer UA	\$ 2,291,100.00	\$ 64,179,148.00	3,746	Installation of approximately 19,380 feet of 12" C-900 PVC main or Ductile Iron pipe. Installation of 4,592 feet of 6" C-900 PVC or Ductile Iron pipe. Installation of 6 emergency stand-by generators at 6 water wells. Construction of a new well with a 500,000 gallon storage tower.	3/1/2007
10	Grove MSA	\$ 600,000.00	\$ 64,779,148.00	11,732	Water meter replacement for approximately 5,000 meters.	6/1/2007
8	Garvin Co. RWD #1	\$ 385,837.00	\$ 65,164,985.00	992	Construct a welded storage tank with approximately 2,000 feet of inlet and distribution line and appurtenances.	12/1/2006
2008						
148	Bixby PWA	\$ 7,700,000.00	\$ 7,700,000.00	15,061	Water plant upgrade & replacement of water main from WTP to 171st St.	7/1/2007
67	Grove MSA (II)	\$ 3,500,000.00	\$ 11,200,000.00	11,732	Expansion of existing water plant and construct a new water tower.	7/1/2007
66	Guthrie PWA (II)	\$ 8,000,000.00	\$ 19,200,000.00	9,925	Improvements to the existing water treatment facility or construction of a new treatment facility.	7/1/2007
61	Healdton MA	\$ 2,500,000.00	\$ 21,700,000.00	2,786	May include improvements to the water transmission, distribution, storage, and pumping system. New water treatment plant.	6/1/2007
2009						
55	Ponca City UA (I)	\$ 10,000,000.00	\$ 10,000,000.00	29,273	Construction of raw water line and pump station.	7/1/2008
34	Ponca City UA (II)	\$ 11,000,000.00	\$ 21,000,000.00	29,273	Plant modifications and distribution improvements.	7/1/2008
20	Collinsville MA	\$ 2,300,000.00	\$ 23,300,000.00	4,740	Upgrade the existing Water Treatment Plant by adding a new treatment train.	7/1/2008
2010						
40	Stillwater UA (III)	\$ 81,200,000.00	\$ 81,200,000.00	23,779	Construction of a new 25 mgd pump station, and 37 miles of new 36-inch pipeline, which parallels the existing 36-inch line from Kaw Lake to Stillwater Water Treatment Plant.	12/1/2009

5. Violation of Recommended Maximum Levels (Secondary Standards) (E).

Recommended maximum levels are set for parameters, which are not harmful to health, but make the water undesirable for use. Deficiencies of more than one condition are additive. These conditions are documented in the State Environmental Laboratory database.

Contaminant	Severity
Chloride	3
Color	3
Copper >1 but <1.3	3
Corrosivity	3
Fluoride >2 but <4	3
Foaming Agents	3
Iron	3
Manganese	3
Odor	3
pH	3
Sulfate	3
TDS	3
Zinc	3

6. Consolidation (F). Projects which result in the consolidation, interconnection, or improvement of services for two or more water systems shall add twenty (20) for consolidation, ten (10) for interconnection, and ten (10) for improvement of services such as back-up or emergency supply. Projects may meet more than one of these conditions. The points awarded for this category are documented in the scope of the project submitted by the system.

7. Compliance Orders (G). Projects that will result in the compliance with a formal enforcement action will receive fifty (50) points.

8. Source water protection (H). Water supply systems which have implemented source water protection programs such as watershed protection programs or wellhead protection programs will add ten (10) to their total.

9. Affordability (I). This element is to assist systems most in need, on a per household basis. The points awarded for this category are documented by the latest census information.

Median Household Income	Severity
less than \$10,000	30
between \$10,000 and \$17,000	20

I. Introduction

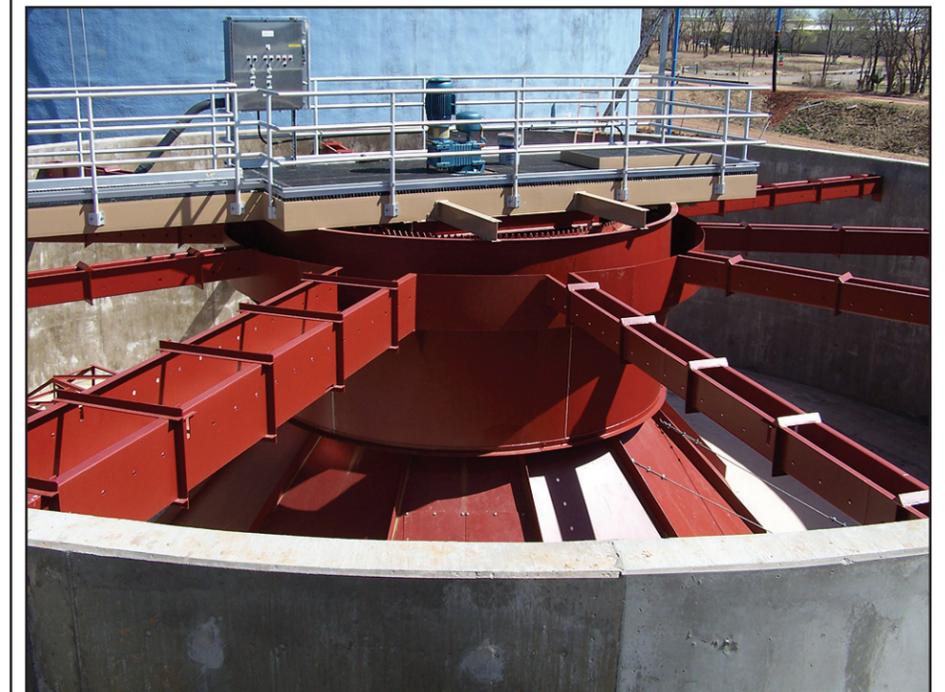
The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) program to assist public water systems in financing the cost of replacement and repair of drinking water infrastructure to achieve or maintain compliance with the SDWA requirements and to protect public health. The DWSRF program will help ensure that drinking water supplies remain safe and affordable and that the systems that receive funding will be properly operated and maintained.

The SDWA places a strong emphasis on preventing contamination rather than reacting to problems. Central to this emphasis is the development of state prevention programs including source water protection, capacity development, and additional requirements for operator certification. To fund these activities, the SDWA allowed not only the creation of the loan fund but also four set-aside accounts to fund the following state activities:

1. Administration of DWSRF;
2. Small System Technical Assistance Program;
3. State Program Management; and
4. Local Assistance and other State Programs.

As required by the SDWA, the State of Oklahoma, through the Department of Environmental Quality (DEQ) is required to prepare this annual Intended Use Plan (IUP) in order to identify the set-aside programs and

DWSRF loan projects that will utilize the funds available to the DWSRF. This IUP is prepared for State Fiscal Year 2007 (FY 07) and identifies those sources and uses of available program funds. For the purpose of the DWSRF and this IUP, the fiscal year identified is the State FY 07, beginning July 1, 2006 and end-



City of Bethany-New clarifier being constructed at the Bethany Water Treatment Plant.

September 30, 2007.

To ensure that the public had an opportunity to review DEQ's proposed plans for the DWSRF, a draft IUP was made available before the IUP public meeting held on May 23, 2006. To ensure that interested parties were made aware of the public meeting date, DEQ posted notice on

the DEQ website and distributed announcements to a mailing list of public water systems, state and federal agencies, environmental organizations, public health officials, consulting engineers, financial consultants, and interested citizens. The public comment period remained open until June 23, 2006.

As a result of federal appropriations to the State, the DEQ has received federal capitalization grants totaling \$124,566,400

ing June 30, 2007. The capitalization grants and state matching funds to fund these activities are from prior fiscal years and the Federal Fiscal Year 2007 (FFY 07) appropriation. The FFY 07 begins October 1, 2006 and ends

from FY 97 through FY 06. DEQ will apply for approximately 13,285,600¹ from the FFY 07 appropriation. This IUP considers the total of repayments and interest earnings, state match, capitalization grants less set-asides, and leveraged revenue bond funds, to be available for project loans and obligation to state match notes. These federal and state funds will be utilized by the DEQ in accordance with

the purpose identified in this IUP. The state is required to provide 20 percent matching funds for each capitalization grant as the federal payments are received for DWSRF projects. Table 1 reports the sources of funds available to the DWSRF program and their intended uses.

Since it is possible that federal funds for loans from the 2007 capitalization grant and the state matching funds will not be

available to obligate until FY 08, applications from projects on the fundable portion of the DWSRF Project Priority List will be processed in the order they are received. Funds that we expect to be available during FY 07 will be reserved for the highest priority systems on the fundable portion of the project priority list. Any projects that are not funded during FY 07 may be considered for funding during FY 08.

¹Based on the updated state allotment published in the Federal Register on June 24, 2005, and an estimate of the President's proposed FY 07 budget.

Table 1

Financial Status of DWSRF Program

Account	Uncommitted Funds (From previous years)	Federal Funding (Projected FY 2007 Allotment) ¹	State Funding (Projected 2007 Allotment) ²	Revenue Bond Issue Funding (FY 2007 Projection)	Transfer Funds From CWSRF (FY 2007 Projection)	Repayments and Earnings (Projected FY 2007)	Total
DWSRF Loan Account	30,168,693						30,168,693
Revenue		10,143,988	2,657,120				12,801,108
Other Sources of Funding				100,000,000	4,993,878		104,993,878
Principal Repayments						5,124,936	5,124,936
Interest Earnings on Loans						3,469,508	3,469,508
Interest Earnings on Account						45,000	45,000
Interest Earnings on DW Bonds 03						2,839,692	2,839,692
Interest Earnings on DW Bonds 04						3,566,179	3,566,179
Expenses							
Debt Service on Revenue Notes, Series 2001						0	0
Debt Service on Revenue Notes, Series 2003						(10,294,137)	(10,294,137)
Debt Service on Revenue Notes, Series 2004						(4,707,985)	(4,707,985)
Obligations							
Leveraged Bond Reserve Fund Capitalization				(40,000,000)			(40,000,000)
Total	30,168,693	10,143,988	2,657,120	60,000,000	4,993,878	43,193	108,006,872
Set-Aside Account		FY 06	FY 07				
Administration	531,424	531,424					1,062,848
Small System Technical Assistance	265,711	265,711					531,422
Program Management	1,328,560	1,328,560					2,657,120
Local Assistance/other State Programs ³							0
Wellhead Protection	859,923	859,923					1,719,846
Capacity Development	155,994	155,994					311,988
Total	3,141,612	3,141,612					6,283,224
DWSRF Administration Account				FY 1997-2006	FY 2007		
Revenue							
Application Fee				24,950	3,500		28,450
Administration Fee on Loans (0.5 %)				1,066,948	282,566		1,349,514
Interest Earnings on Account				15,283	3,707		18,990
Expenses							
Administrative Costs				(554,181)	(150,000)		(704,181)
Total				553,000	139,773		692,773

Table 1. A detail of the sources of funds available to Oklahoma's DWSRF Program.

Note 1: The amount is an estimate based on the Federal Fiscal Year 2007 Budget using the new allotment formula released in June of 2005, less 23.6 percent for Set-Asides in the amount of \$3,141,612 for a total of \$10,143,988.

Note 2: The amount is the 20 percent state match based on the projected FY 2007 Cap Grant.

Note 3: Wellhead Protection and Capacity Development Set-Aside Program

2. Quantity Deficiencies (B). Quantity deficiencies are shortages of water due to source, treatment, or distribution problems. Deficiencies of only one condition will be allowed. These conditions are documented by inspection records, a comprehensive performance evaluation, or another system evaluation.

Condition	Severity
Continual shortage	10
Shortage during peak demands (daily)	8
Shortage during high use (seasonal)	6

3. Design Deficiencies (C). Design deficiencies are those which could be corrected by enlargement, repair, or replacement of a portion of the system. Deficiencies of more than one condition are additive. These conditions are documented by inspection records, a comprehensive performance evaluation, or another system evaluation.

Condition	Severity
Inadequate filtration (surface)	10
Pressure filtration	9
Inadequate disinfection	10
Inadequate chemical feed	8
Inadequate mixing	8
Inadequate settling	8
Inadequate storage	8
Inadequate distribution (low pressure)	8
Inadequate distribution (area not served)	8
Inadequate distribution (deterioration)	8
Demand exceeds design capacity	10
Inadequate laboratory equipment	7
Inadequate intake structure	8
Improper well construction	10
Groundwater under the influence of surface water	10
Inadequate water treatment wastewater disposal	10

4. Vulnerability to Potential Pollution (D). Vulnerability describes a condition in which the source of supply for a system could potentially be contaminated and for which the project will address. Vulnerabilities to more than one condition are additive. These conditions are documented by vulnerability assessments for monitoring waivers or source water protection area assessments.

Condition	Severity
Point source discharge in delineated area	10
Subject to industrial spills	5
Subject to agricultural chemicals	5
Subject to oil/gas/coal/mineral operations	5
Unprotected watershed	3

Ranking factor nine addresses the affordability requirements of the Safe Drinking Water Act of 1996.

B. Factors Descriptions.

1. Violations of Maximum Allowable Levels (Primary Standards). Maximum allowable levels are established for those parameters which may be detrimental to public health. Severity point values will be the sum of points for the violations of a contaminant during a 24 month period, from the date of the request. Contaminants reported quarterly, such as nitrate, may include up to eight violations during this 24 month period. Those contaminants reported monthly, such as fecal coliform, may include up to twenty-four violations during this 24 month period. Violations of standards of contaminants based on a running annual average, such as total trihalomethanes, will be based on a 12 month reporting period and will include only severity value. Violations of more than one contaminant are additive. These violations are documented by inclusion in the Safe Drinking Water Information System (SDWIS). These values may be increased quarterly in the event that there are repeated violations.

Contaminant	Severity (Points Per Violation)
Antimony	10
Arsenic	10
Asbestos	10
Barium	2
Beryllium	10
Cadmium	10
Chromium	10
Copper >1.3	5
Fluoride > 4	5
Gross Alpha Radioactivity	5
Gross Beta Radioactivity	5
Lead	10
Mercury	10
Nickel	10
Nitrate	20
Selenium	5
Thallium	10
Turbidity	10
Radium	10
Radon	5
Fecal Coliform	20
Total Colifom	10
Total Organic Carbon (TOC)	10
Total Trihalomethanes	10
Pesticides and other SOCs	10
Volatile Organic Contaminants	10
Haloacetic Acids	10

II. List of Programs

A. Set-aside Programs

Section 1452 (g) and Section 1452 (k) of the SDWA authorizes set-asides to enable states to implement the requirements of the SDWA. The set-asides are based on a percentage of the capitalization grant as specified in the SDWA. The DEQ will reserve the following amounts in the 2007 capitalization grant for set-asides as follows: 4

percent for Administration; 2 percent for Small System Technical Assistance; 10 percent for Program Management; and 7.6 percent for Local Assistance and other State Programs of which DEQ expects to use 6.4 percent for wellhead protection activities and 1.2 percent for capacity development. Table 2 describes DWSRF Set-aside activities.

DEQ has submitted work plans to EPA describing how the specified 2006 capitalization grant set-asides will be expended during FY 07. DEQ will provide work plans for each set-aside to EPA describing how the specified 2007 capitalization grant funds are to be expended during State FY 08.

Table 2

DWSRF Set-aside Activities

Set-aside category	Total amount reserved from 2006 grant	Reclaimed credit from old grants	Cumulative amount specified in workplans	Amount of current grant reserved for future use	Total available credit ¹
Admin.	\$531,424.00	\$ -	\$531,424.00	\$ -	\$875,118.00
Tech. Asst.	\$265,711.00	\$ -	\$265,711.00	\$ -	\$494,320.00
St. Prg. Mgt.	\$1,328,560.00	\$ -	\$1,328,560.00	\$ -	\$3,236,419.00
Local Assist.	\$1,015,917.00	NA	\$1,015,917.00	\$ 312,643.00	\$5,264,748.00

Table 2. A description of the reserved amounts, specified amounts, and available credit for DWSRF set-aside activities.

Note 1: Total available credit includes credit from previous grants and credit from the transfer of unexpended funds from the 1997-2006 grants.

The following describes the four set-asides.

1. DWSRF Administration

Section 1452(g) of the SDWA authorizes states to provide funding for the DWSRF Administration as a set-aside activity. The administration of the fund will be accomplished by DEQ personnel and through an interagency agreement with the Oklahoma Water Resources Board (OWRB). Administrative tasks include portfolio management; debt issuance; DWSRF program costs; support services; and financial, management, and legal consulting fees.

Title 82 of Oklahoma Statutes, Section 1085.71 through 1085.84A establishes the DWSRF program duties of OWRB

and DEQ. The interagency agreement between OWRB and DEQ specifies the responsibilities of each agency in regard to the following tasks: DWSRF capitalization grant application and management; annual joint report to the Governor and Legislature; biennial report to EPA; preliminary loan applications; final loan applications; letters of binding commitment to loan applicants; bidding and contract documents; loan closings; change orders and other related construction documents; inspections of projects, books, and records; payments; loan terminations; and the return of funds.

As allowed by the SDWA, DEQ reserved and specified an amount equal to 4 percent of the 2006 capitalization grant for administrative support of the DWSRF. DEQ and OWRB will use an estimated amount of \$531,424 from set-aside funds for FY 07 DWSRF administration. This set-aside is to fund activities that implement, administer, and operate the DWSRF program during State FY 07.

In addition to set-aside funds, at the end of FY 07, it is projected that approximately \$1,009,130 is available in the DWSRF Administrative Fee Account, which is maintained outside of the DWSRF loan

account. DEQ and OWRB can utilize these funds to administer the DWSRF program.

Funds available for administration of the DWSRF program during State FY 07 include the administrative set-aside funds (4 percent) from the 2006 capitalization grant and the funds available in the DWSRF Administrative Fee Account.

DEQ expects to reserve an amount equal to 4 percent of the 2007 capitalization grant funds for administrative support of the DWSRF. During State FY 08 DEQ and OWRB will use an estimated amount of \$531,424 from set-aside funds reserved for DWSRF administration. This set-aside will be used to fund activities that implement, administer, and operate the DWSRF program during State FY 08.

Funds available for administration of the DWSRF program

during State FY 08 include unexpended administrative set-aside funds from previous years and funds available in the DWSRF Administrative Account.

2. Small System Technical Assistance

Section 1452(g)(2)(D) of the SDWA authorizes states to provide funding for technical assistance to public water systems serving a population of 10,000 or fewer. The DEQ, through a contract with the Oklahoma Rural Water Association (ORWA) and Community Resource Group (CRG) will accomplish this technical assistance.

Small water systems will be provided technical assistance to improve treatment and capacity to operate surface water systems, to improve compliance with drinking water standards, comply with monitoring and reporting requirements, to

improve the quality of service to customers, and the quality of water system management, and to increase the knowledge of board members in efficient water system operation.

Funds available for the Small System Technical Assistance Program during State FY 07 include the 2 percent set-aside funds from the 2006 capitalization grant.

DEQ expects to reserve 2 percent of the 2007 federal capitalization grant to fund small system technical assistance activities. Funds in the amount of approximately \$265,711 will be specified to conduct these activities during state FY 08.

3. State Program Management

Section 1452(g)(2) of the SDWA, authorizes states to provide funding to finance State Program Management (SPM) requirements. These requirements are to provide technical assistance to small water systems, to provide technical assistance through source water protection programs, to develop and implement the Capacity Development Strategy, to provide Long Term 1 Enhanced Surface Water Treatment Rule assistance, and to provide Disinfectant/Disinfection By-products Rule assistance. DEQ personnel will accomplish these tasks.

DWSRF set-aside funds cannot be used to reduce the existing state funds supporting the program. EPA allows the use of the FY 93 PWS State overmatch and PWSS match for the PWSS program to be used to meet the 1:1 state match for the SPM

B. Project ranking. The ranking factors are based on the relative impact of the project in achieving the objectives of the Safe Drinking Water Act of 1996. The ranking factors are listed in Part III of these procedures.

C. Tie breaking procedure. A tie breaking procedure shall be used when two or more projects have equal points under the Project Priority System and are in competition for funds. Tied projects will be ranked with the first project which has the greatest value for the ranking factor for Violations of Maximum Allowable Levels (Primary Standards).

D. Project bypass. A project on the fundable portion of the Project Priority List may be bypassed for one year if it is not on schedule as indicated in the IUP or the project's specific consent/administrative order. The applicant whose project is affected shall be given a written notice that the project is to be bypassed. Bypassed projects may be reinstated on the funded portion of the list if sufficient funds are available, and the applicant completes the necessary tasks to proceed. Funds which become available due to the utilization of these bypass procedures will be applied to the next ranked project on the project priority list.

E Project Priority List update. The priority list shall be periodically reviewed by the DEQ Water Quality Division Director and changes (i.e., loan award dates, estimated construction assistance amounts, project bypass, addition of new projects, etc.) will be made as necessary.

Part IV: Ranking System

Projects may only receive points for violations and deficiencies that they seek to address. For consolidations, points will be awarded for the parent system and all systems that the project proposes to consolidate. Priority points may be recalculated each time a new Project Priority List is created and percented to the public.

A. Formula. The project priority points (P) are derived from the formula:

$$P = A + B + C + D + E + F + G + H + I$$

where the factors are defined as:

1. A = Violations of Maximum Allowable Levels (Primary Standards).
2. B = Quantity Deficiencies.
3. C = Design Deficiencies.
4. D = Vulnerability to Potential Pollution.
5. E = Violation of Recommended Maximum Levels (Secondary Levels).
6. F = Consolidation.
7. G = Compliance Orders.
8. H = Source Water Protection.
9. I = Affordability.

Ranking factors one through eight are to address the risks to human health and the compliance with the Safe Drinking Water Act of 1996 requirements.



City of Bartlesville-Construction of basins and pipe gallery at the new Bartlesville Water Treatment Plant.

Administrative Procedures Act. The notice of public meeting shall precede the public meeting by 30 days and shall be published in a statewide publication. At this time, DEQ shall circulate information about the IUP and the Project Priority List including a description of each proposed project. Attendees of the public meeting will be allowed to express their views concerning the Project Priority List and system. A 30 day public comment period shall follow each meeting.

C. Project Priority List. A Project Priority List shall become effective and supersede all previous lists upon completion of the public participation process and resolution of comments. A Project Priority List, as updated during the funding year, shall remain effective until such time as it is superseded by a new list.

D. Additional allotments. After determining the fundable portion of the Project Priority List, DEQ may determine that it is necessary or desirable to obligate available funds and the funding point may be extended to include the next highest ranked project(s) on the contingency section of the Project Priority List in priority order. Any sum made available to the DWSRF by reallocation or the release of funds that were previously obligated shall follow these procedures.

E. Project removal. DEQ may remove a project from the Project Priority List when the project has been funded, the project is found to be ineligible, it is indicated that the applicant does not intend to continue in the DWSRF, or DEQ has determined that the applicant does not have financial capability to construct the project. The applicant whose project is affected shall be given a written notice that the project is to be removed from the list.

F. Amount of financial assistance. The amount of financial assistance shall be the sum of the total eligible costs related to construction. The amount is contingent upon the availability of funds for this purpose.

G. Addition of new projects to the Project Priority List. To be included on the Project Priority List, the applicant must submit a request to DEQ, including project description, estimated assistance to be requested and a schedule for the proposed project for such placement. The request must specify that the applicant intends to apply for financial assistance from the DWSRF. DEQ will evaluate the request for eligibility and if it is determined that this request could result in a project that meets DWSRF requirements, the potential project will be ranked and added to the Project Priority List.

Part III: Management of the Project Priority List.

A. Projects included. The comprehensive Project Priority List shall consist of all eligible projects requesting placement on the Project Priority List. Projects which meet all requirements for funding shall be placed on a Fundable List and included in the current Intended Use Plan (IUP). Projects which rank below the available funding level shall be considered the contingency section of the Fundable List. Projects in this part of the list may receive loans due to bypass provision or due to additional funds becoming available.

set-aside. However, the rule requires that at least 50 percent of the funds for the match come from the current year. Therefore, the amount available for the match is \$2,906,440 from the current year plus an equal amount

from FY 93 (if available) totaling \$5,812,880. Since the DEQ is only requesting \$1,328,560, the match is easily met.

DEQ will reserve 10 percent of the 2007 capitalization grant for the State Program

Management Set-aside. DEQ may reclaim the unspecified funds from future capitalization grants if additional funds are needed for State Program Management responsibilities.

Table 3

Program Management State Match

FFY	State General Revenue	PWS Fees	Operator Certification	Federal Grant	Total PWSS Funds	Total State Match	25 % State Match	Amount Overmatch
FY 93	\$ 859,000	\$ 1,054,041	\$ 135,000	\$ 827,700	\$ 2,875,741	\$ 2,048,041	\$ 275,900	\$ 1,772,141
FY 06	\$ 1,393,321	\$ 1,345,186	\$ 615,000	\$ 1,341,200	\$ 4,694,707	\$ 3,353,507	\$ 447,067	\$ 2,906,440
				FY 1993	FY 2006			
				PWSS grant	\$827,700	\$1,341,200		
				PWSS State Match	\$275,900	\$447,067		
				PWSS State Overmatch	\$1,772,141	\$2,906,440		
				Current Year SPM Set-aside		\$1,328,560		
				Current Year Credit		\$1,328,560		

4. Local Assistance and other State Programs

Section 1452(k) of the SDWA authorizes states to provide funding for Local Assistance and other State Programs. The Local Assistance and other State Programs Set-aside funds will be used to establish and implement wellhead protection programs as allowed under Section 1452(k)(1)(D) of the SDWA.

The DEQ has completed over 1100 Source Water Assessment and Protection plans for drinking water suppliers in the State. The plans define the areas

of concern around either drinking water wells and or surface water sources, determine the potential sources of contamination within those areas, and complete a susceptibility analysis for each source and system. At this point, the DEQ plans on updating each report on an annual basis to ensure that the analyses remain as current as possible. Currently, DEQ field staff provides the interface with local teams to re-evaluate the reports and data on an annual basis. We have already completed our first update.

Funds available for the Local Assistance and other State Programs during FY 07 are unexpended funds reserved from the previous capitalization grants and 7.6 percent of the 2006 capitalization grant.

DEQ will reserve and specify 7.6 percent of the 2007 capitalization grant for the Local Assistance and other State Programs set-aside. DEQ expects to use 6.4 percent of these funds for wellhead protection activities and 1.2 percent for capacity development during FY 08.

B. Drinking Water State Revolving Fund Projects

1. DWSRF Project Priority System

DEQ has established the Project Priority System, included as Appendix B, and prepared the comprehensive Project Priority List, included as Appendix

C. The comprehensive Project Priority List demonstrates which eligible drinking water projects are to receive loan funds from the DWSRF. The comprehensive Project Priority List is comprised

of a Funding List and a Contingency List that ranks projects according to the DWSRF Project Priority System that:

continued on next page...

- a. Address the most serious risk to human health;
- b. Are necessary to ensure compliance with the requirements of the SDWA; and
- c. Assist systems most in need, on a per household basis.

Eligible projects proposed by applicants requesting funding from the DWSRF are ranked and prioritized according to the Project Priority System procedures (the project with the most points shall be first on the Project Priority List; the project with the least points shall be last). The specific categories of source, treatment, storage, and distribution are not ranked separately. Projects will be funded in order of priority as each project meets the program requirements. A project may be bypassed if it is not on schedule. Bypassed projects will be monitored and encouraged to meet program requirements so that they may be reinstated to the fundable portion of the list.

2. Allocation of Funds

Allocation of funds among the eligible projects is based on a six-step process:

- a. Projects of eligible applicants that request financial assistance are ranked according to the Project Priority System and placed on the Project Priority List;
- b. The financial assistance needed for each drinking water project that is ready to proceed is determined;
- c. Sources of unobligated funds available to the DWSRF that are necessary to provide the requested financial assistance are identified;

- d. The highest priority projects that will be ready to proceed during FY 07 are placed on the FY 07 Funding List, included as Appendix C;
- e. Bypass letters are issued to applicants which have projects not ready to proceed according to the Priority Ranking System procedures; and
- f. The consistency with the funds available and the financial assistance requested is determined.

Information pertinent to each DWSRF project is included on the Project Priority List pursuant to the requirements of the SDWA. To be placed on the fundable portion of the list the project must be ready to proceed.

The contingency portion of the Project Priority List, included as Appendix C, is developed from the projects of applicants that are bypassed and projects of applicants that do not rank high enough to receive funding. This contingency list includes projects which may receive loan funds should projects in the fundable portion not proceed on schedule.

3. Status of Projects on the Fundable Portion of the Priority List

a. Canadian County RWD

#1: An engineering report, environmental information document, and plans



City of Bethany-Renovation of Bethany Water Treatment Plant to meet new Safe Drinking Water standards.

Appendix B

Project Priority System

Oklahoma Department of Environmental Quality Drinking Water State Revolving Fund

Statutory References: OAC 252:633-1-5, OAC 252:633-3-4 and OAC 252:633 Appendix A

These procedures are necessary to determine the eligibility and priority of entities to receive financial assistance under the Federal Safe Drinking Water Act Amendments of 1996 and from the Drinking Water State Revolving Fund (DWSRF).

Part I: Definitions:

“Comprehensive Project Priority List (Project Priority List)” means a list of all projects requesting funds from the DWSRF, ranked in order of priority for funding for which DWSRF assistance is expected during a five year planning period.

“Contingency section” means that portion of the Project Priority List consisting of projects which may receive loans due to bypass provision or due to additional funds becoming available.

“Fundable List” means projects listed on the Project Priority List which have met all requirements for funding and includes projects scheduled for financial assistance during the funding year.

“Funding year” means the first year of the planning period repercented by a Project Priority List.

“Project priority points” means the total number of points assigned to a project by using the priority ranking formula.

Part II: DWSRF Project Priority System

A. Preparation. DEQ shall prepare and maintain a current Project Priority List which ranks projects according to these DWSRF Project Priority System Procedures in the order of priority. Priority for the use of the DWSRF funds shall be given to projects that:

- 1. address the most serious risk to human health;
- 2. are necessary to ensure compliance with the requirements of the SDWA; and
- 3. assist systems most in need, on a per household basis.

Applicants shall be ranked according to the formula in Section IV of these procedures with the projects ranked by points (the project with the most points shall be first on the Project Priority List; the project with the least points shall be last).

B. Public participation. DEQ shall insure that there is adequate public participation on the DWSRF Project Priority System and the Project Priority List. A public meeting shall be held to discuss the DWSRF IUP, which includes the Project Priority List and any revisions that were made to the DWSRF Project Priority System. These public participation procedures shall follow the Oklahoma

Appendix A

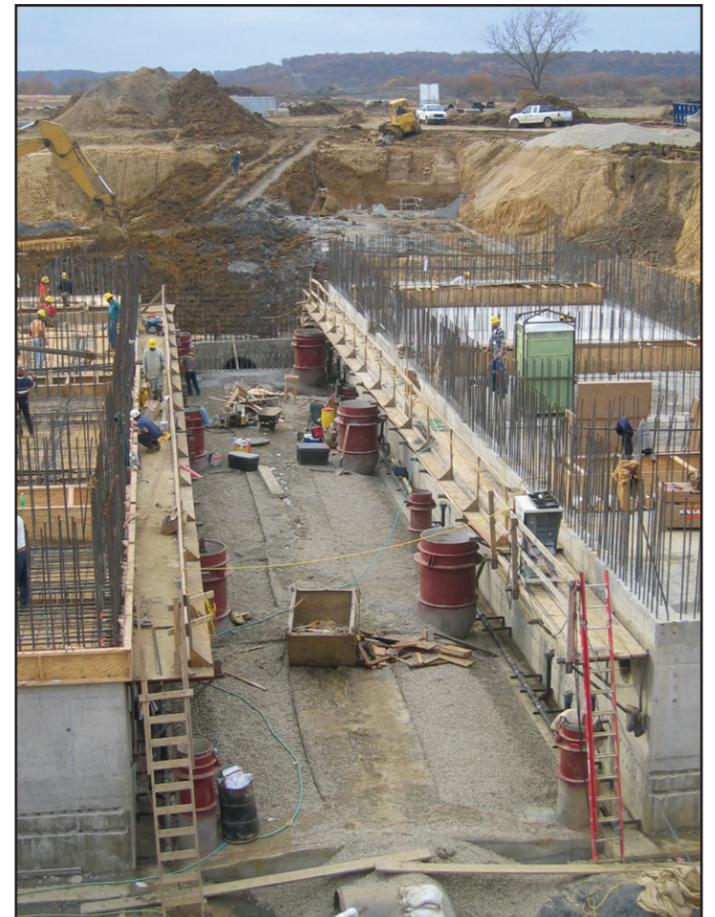
Sources and Use of Funds

Source of Funds	
Fiscal Years 1997-2006	
Federal Grants	124,566,400.00
State Match	24,913,280.00
Revenue Bond Issuance	200,327,403.16
Principal Repayments	32,859,326.00
Interest Earnings on Loans	6,456,750.00
Interest Earnings on Account	655,830.00
Interest Earnings on DW Bond Funds	15,863,450.00
Transfer funds from CWSRF	12,000,000.00
Sub Total	\$417,642,439.16
Fiscal Year 2007 (Projected)	
Federal Grant	13,285,600.00
State Match	2,657,120.00
Revenue Bond Issuance	100,000,000.00
Principal Repayments	5,124,936.00
Interest Earnings on Loans	3,469,508.00
Interest Earnings on Account	45,000.00
Interest Earnings on DW Bond Funds	6,405,871.00
Transfer funds from CWSRF	4,993,878.00
Sub Total	\$135,981,913.00
Total Sources of Funds	\$553,624,352.16
Uses of Funds	
DWSRF Loan Commitments prior to FY 2007 (net of deobligations)	
Small System Binding Commitments	46,476,742.00
Large System Binding Commitments	215,286,584.00
Expected DWSRF Loan Commitments for FY 2007	
Small System Binding Commitments	35,112,985.00
Large System Binding Commitments	30,052,000.00
Sub Total	\$326,928,311.00
DWSRF Set-Aside Programs	
Set-Asides FY 1997-2006 (net of transfers to Loan Account)	23,222,005.00
FY 2007 Administration	531,424.00
FY 2007 Small System Technical Assistance	265,711.00
FY 2007 Program Management	1,328,560.00
FY 2007 Local Assistance - Wellhead Protection	859,923.00
-Capacity Development	155,994.00
Sub Total	\$26,363,617.00
Revenue Bond Issuance	
Debt Service on Series 2001 Notes (FY 2002-2004) (Defeased)	3,053,779.00
Series 2003 Revenue Bond Issue Reserve Fund Capitalization	41,877,372.11
Series 2003 Revenue Bond Debt Service (FY 2004-2006)	17,970,413.00
Series 2003 Revenue Bond Debt Service (2007 projected)	10,294,137.00
Series 2004 Revenue Bond Issue Reserve Fund Capitalization	34,000,000.00
Series 2004 Revenue Bond Debt Service (FY 2004-2006)	5,586,851.00
Series 2004 Revenue Bond Debt Service (2007 projected)	4,707,985.00
Series 2006 Revenue Bond Issue Reserve Fund Capitalization	40,000,000.00
Sub Total	\$157,490,537.11
Total Uses of Funds	\$510,782,465.11
DWSRF Fund Balance	\$42,841,887.05

- and specifications are being prepared.
- b. **Rogers County RWD #6:** An engineering report, environmental information document, and plans and specifications are being prepared.
- c. **Pauls Valley MA:** An engineering report, environmental information document, and plans and specifications are being prepared.
- d. **McCurtain Co. RWD #8:** An engineering report, environmental information document, and plans and specifications are being prepared.
- e. **Guymon UA:** An engineering report, environmental information document, and plans and specifications are being prepared.
- f. **Frederick PWA:** An engineering report, environmental information document, and plans and specifications are being prepared.
- g. **Stillwater:** An engineering report, environmental information document, and plans and specifications are being prepared.
- h. **Rogers County RWD #7:** An engineering report, environmental information document, and plans and specifications are being prepared.
- i. **Osage Co. RWD #15:** An engineering report and plans and specifications are being reviewed. An environmental information document is being prepared.
- j. **Tuttle PWA:** An engineering report, environmental infor-

- mation document, and plans and specifications are being prepared.
- k. **Bethany PWA (II):** An engineering report, environmental information document, and plans and specifications are being prepared.
- l. **Piedmont MA:** An engineering report and environmental information document have been submitted for review. Plans and specifications are being prepared.
- m. **Sulphur Municipal Authority:** An engineering report, environmental information document, and plans and specifications are being reviewed.
- n. **Skiatook PWA:** An engineering report, environmental information document, and plans and specifications are being reviewed.
- o. **Washington Co. RWD #3:** An engineering report, environmental information document, and plans and speci-

- fications are being prepared.
- p. **Spencer UA:** An engineering report, environmental information document, and plans and specifications are being prepared.
- q. **Grove Municipal Authority:** An engineering report, environmental information document, and plans and specifications are being prepared.
- r. **Garvin County RWD #1:** An engineering report has been submitted for review, and an environmental information document and plans and specifications are being prepared.



City of Bartlesville-Construction of basins and pipe gallery at the new Bartlesville Water Treatment Plant.

4. SRF Available Funds

For FY 07 there is expected to be a total of \$108,006,872 available to fund Project Priority List projects. Total funds used and budgeted for set-aside programs are shown in Table 2. The total funds available for the DWSRF loan program are derived from past capitalization grants and state matching funds, 2007 capitalization grant and state match, transfer

of funds from the Clean Water State Revolving Fund (CWSRF), investment income, interest income, and revenue bond issue funds, as shown in Table 1.

5. Forecasted Use of Overage

The amount of funds carried over from FY 2007 is \$42,841,887. The "Delphi" method has been used as a forecasting tool, where loan prospects are assigned a

probability of actually becoming loan commitments in FY 2008. The probability is multiplied by the projected loan amount to arrive at a net amount. The ODEQ's DWSRF "Project Priority System," Appendix B, requires that Bixby, Grove MSA (II), Guthrie PWA (II), and Healdton be funded next. Therefore, the anticipated overage will be applied as follows:

Project	Loan Amount	Probability	Net Amount
Bixby	\$ 7,700,000.00	100.00 %	\$ 7,700,000.00
Grove MSA (II)	\$ 3,500,000.00	100.00 %	\$ 3,500,000.00
Guthrie PWA (II)	\$ 8,000,000.00	100.00 %	\$ 8,000,000.00
Healdton	\$ 2,500,000.00	100.00 %	\$ 2,500,000.00
Corrected forecasted use of FY2007 carryover in FY2008			\$21,700,000.00

This will leave a balance of **\$21,141,887.00** to be applied to FY 2009 loans.

III. DWSRF Goal Statements

A. Short-term Goals



City of Bethany-Construction of a new lime feed system and silo.

1. Provide loans to the eighteen (18) water systems listed on the Fundable Portion of the FY 07 Project Priority List. (Target Completion: June 2007)
2. Apply for 2007 capitalization grant. (Target Completion: April 2007)
3. Complete set-aside work plans specifying funds from the 2007 capitalization grant. (Target Completion: Within 90 days of grant award)
4. Use set-aside funds to update source water assessments. (Target Completion: June 2007)
5. Continue to refine the Capacity Development Program.
6. Use set-aside funds to implement Capacity Development

IX. Amendments to the Plan

Revisions to this plan determined to be insignificant and/or minor revisions required for administrative purposes, shall be made by the DEQ without notification to the public, and will be reported to EPA in the Annual Report. Any changes in the IUP shall be made in accordance with procedures provided in the DEQ DWSRF Regulations.



City of Altus-Strainers for the Altus Ultrafiltration System.

B. Disadvantaged Communities

The SDWA provides for an option to states to provide low interest, zero percent interest, and loan forgiveness programs to disadvantaged communities. In order to meet the program goals of maintaining the fiscal integrity of the DWSRF,

assuring a continuous enhancement of the loan fund for future generations, and maintaining the fund in perpetuity, the state has determined not to provide a program for disadvantaged communities. There are other funding sources including state

grant programs that provide funding of projects in small disadvantaged communities. The DWSRF project priority system provides for priority points to be given to projects that benefit disadvantaged communities.

C. Transfer of Funds

Under the SDWA, the state is allowed to transfer and/or cross-collateralize fund assets of the DWSRF program and the Clean Water State Revolving Fund (CWSRF) program. During FY 2007 Oklahoma may take advantage of funding flexibility between the Clean Water and Drinking Water SRF programs, provided by the Environmental Protection Agency, in order to assure adequate capacity to meet all funding demands. In accordance with the Safe Drinking Water Act-SRF funds

transfer provisions (Section 302), the State hereby reserves the authority "to transfer an amount up to 33 percent of the [FY 2007] Drinking Water SRF program capitalization grant to the Clean Water SRF program or an equivalent amount from the Clean Water SRF program to the Drinking Water SRF program."

Prior to any actual transfer of funds, the Intended Use Plan and capitalization grant agreement will be amended; an Attorney General's opinion certifying that State law permits

the State to transfer funds will be submitted; and transfers will be made by the Governor, in accordance with Section 302 of the Safe Drinking Water Act. Currently, the Safe Drinking Water Act requires states to request transfer authority on a year-to-year basis, limiting the ability to transfer funds in future years. Funds will not be transferred between programs during FY 2007 or in future years unless a permanent extension of transfer authority is granted.

Strategy. (Target Completion: June 2007)

7. Use set-aside funds to provide technical assistance to systems to comply with

B. Long-term Goals

1. Maintain the fiscal integrity of the DWSRF and assure a continuous enhancement of the loan fund for future generations.
2. Maintain the fund in perpetuity. Perpetuity consists of maintaining the principal amounts of the state matching funds and capitalization grants, less set-asides, within the DWSRF.
3. Assist the State in meeting

the Long Term 1 Enhanced Surface Water Treatment Rule and Disinfectant/Disinfection By-product rule. (Target Completion: June 2007)

8. Issue DWSRF Revenue Bonds in an estimated amount of \$100,000,000 to finance the additional demand for drinking water loan funds.

the total drinking water funding needs by blending DWSRF capitalization grant and state match funds with leveraged DWSRF bond proceeds to provide long-term low-interest drinking water financing.

4. Obtain maximum capitalization of the fund for the State in the shortest time possible.
5. Use set-aside funds along with DWSRF loans to maxi-

mize compliance and public health protection.

6. Promote technical, managerial, and financial capability of all public water supply systems.
7. Encourage the consolidation and/or regionalization of small public water systems that lack the capability to operate and maintain systems in a cost-effective manner.

C. Environmental Results under EPA Assistance Agreements

1. In accordance with "EPA's Environmental Results under EPA Assistance Agreements, Order No. 5700.7", which became effective on January 1, 2005, DEQ herein describes the outputs to be used as a measure to comply with the new requirements.

- a. Output 1 – Provide loans to the eighteen (18) water systems listed on the Fundable Portion of the SFY 2007 Project Priority List (PPL). See page 7 of the IUP for the status of each of these projects, and page 23, Appendix C, for a list of projects on the PPL.
- b. Output 2 – Enter into binding commitments with thirteen (13) small systems and five

(5) large systems during SFY 2007. See page 23, Appendix

C, for a list of these systems and their population.

VIII. Public Review and Comment

A public meeting, conducted in compliance with the Oklahoma State Administrative Procedures Act and DWSRF regulations was held on May 23, 2006. To ensure that interested parties were made aware of the public meeting date DEQ posted notice on the DEQ web-site and distrib-

uted announcements to a mailing list of public water systems, state and federal agencies, environmental organizations, public health officials, consulting engineers, financial consultants, and interested citizens. The agenda was posted at the meeting site. A copy of this public notice is

included as Appendix E. The public meeting is scheduled to review this IUP, the Project Priority System, and the Funding and Contingency Project Priority List. A comment period following the public meeting will remain open until June 23, 2006.



City of Bartlesville-Construction of basins and pipe gallery at the new Bartlesville Water Treatment Plant.

IV. Financing Plans

The type of assistance to be provided will be loans for up to 100 percent of the eligible cost of drinking water projects. DWSRF program requirements are defined in DEQ and OWRB program regulations.

OWRB provides a DWSRF financing plan that maintains a pool of funds to meet the program demand. Loans at below market interest rates provide affordable financing and incentives for loan applicants to meet the program requirements. The program provides for flexibility and the perpetuity of the DWSRF.

The DEQ and OWRB provide one financing plan for both small and large systems, a long-term DWSRF loan. The long-term DWSRF loan is a 20-year loan with a fixed interest rate used for the construction of drinking wa-

A. DWSRF Interest Rates

Beginning with loans closed subsequent to the October 2003 Revenue Bond Issuance, the DWSRF will provide long-term financing loans only for both small and large public drinking water systems at an interest

B. Administration Fees

The OWRB charges an annual administration fee of 0.5 percent on the unpaid loan balance. Also, OWRB charges an administrative fee upon application filing. This fee is based on the size of the application. If the application is for \$249,000 or less the fee is \$100. If the



City of Bethany-New west Clarifier at their Water Treatment Plant.

ter infrastructure improvements. During the construction phase, interest and administration fee is paid semi-annually as funds

rate equal to 70 percent of average interest rate on the Revenue Bonds, plus the administration fee. The Series 2003 bonds had an interest rate of 3.0 percent, plus the 0.5 percent administration fee. Loans to be funded

application is for \$250,000 to \$999,000 the fee is \$250. If the application is for \$1,000,000 or more the fee is \$500. Administrative fees collected are deposited into the Drinking Water Treatment Loan Administration Fund. This fund is a statutory account outside the DWSRF

are drawn. Once construction is completed principal, interest, and administration fee are paid semi-annually until loan is paid.

by the 2004 revenue bonds will have an interest rate of 3.05 percent, plus the 0.5 percent administration fee. The DWSRF funds will no longer be used to provide interim construction loan financing until further notice.

and fees deposited into this fund will be used to offset the future DWSRF administrative expenses of DEQ and OWRB. It is projected that the Drinking Water Treatment Loan Administrative Fund will contain approximately \$1,009,130 as of June 30, 2007.

E. Development of Payment Schedule

The total amount of loan funds and spending limits are identified in the grant payment schedule included as Appendix D. This chart shows the federal payment schedules for loan funds since the beginning of the program and the expected payment schedule for 2007 capitalization grants. These amounts are summarized by quarter and the totals are shown.

All project loans scheduled for funding from the DWSRF will be reviewed for consistency with appropriate planning, design, and construction requirements. Evidence of this review and funding shall be documented in each DWSRF project file.

DEQ will use a minimum of fifteen percent (15 percent) of all capitalization grant amounts to provide loan assistance to small drinking water systems that serve populations less than 10,000.

To the extent Capitalization Grant funds are to be disbursed

to loan recipients for direct project costs, those funds will be drawn from the EPA's Automated Clearing House (ACH) utilizing a grant specific ratio. A proportionate amount of state match will be expended concurrently or prior to the draw upon Capitalization Grant funds.

To the extent Capitalization Grant funds are to be disbursed to fund the reserve fund requirement of any DWSRF bond issues, those funds will be drawn upon and transferred to the reserve fund only at such times as equivalent eligible expenditures have been incurred by loan recipients. Funds will be drawn no faster than a grant specific ratio where a proportionate amount of state match funds have been expended concurrently or prior to the draw upon Capitalization Grant funds. It is expected that the 2007 Capitalization Grant will be entirely utilized to meet the

reserve fund requirement for the Series 2006 Bond Issue. It is also expected that the 2007 State Match will be substantially expended prior to draw of the 2007 Capitalization Grant funds. Therefore, at such time as a loan recipient expends leveraged bond proceeds for eligible project costs, an equal amount of capitalization grant funds will be drawn into the bond issue reserve fund, until such time as the reserve requirement is satisfied.

The DWSRF has historically used the Group of Projects Method or the All Projects Method, as described in EPA Publication 832-B98-003, "Guide to Using EPA's Automated Clearing House (ACH)." However, on future bond issues the DWSRF will designate at that time whether to utilize the Group of Projects method or the All Projects Method.

F. Development of the DWSRF Payment Schedule

Oklahoma's projected grant payment schedule is based on the time of the capitalization grant award, the scheduled

dates for binding commitments, projected construction schedules for projects pursuant to the All Projects Method or Group of

Projects Method as specified for a particular bond series, and the proposed budget for set-asides.

VII. Safe Drinking Water Act Amendment Options

A. Privately Owned Drinking Water Systems

Although the SDWA provides for funding of privately owned drinking water systems, the DEQ has determined that funding these systems is not in compliance with the state statutes and constitution. According to Oklahoma Annotated

Code Title 82 Section 1085.72 and Article 10 Paragraph 39 of the Constitution of Oklahoma, the definition of eligible entity is limited to mean "any city, town, county or the State of Oklahoma, and any rural sewer district, public trust, master

conservancy district, any other political subdivision." By law the funds established for the Drinking Water State Revolving Fund are limited to those entities, precluding any privately owned entities from receiving monies.

Drinking Water State Revolving Fund • State Fiscal Year 2007

amount of grant funds to be used for loans, the long term plan is to concomitantly implement the set-aside programs with the loan program to provide the best overall assistance to water systems.

The DEQ decides each year on which programs are needed and prepares a budget for each of the programs. Based on the budgets and past history of the program, DEQ determined that 23.6 percent of the FY 2007 grant

for set-asides was needed to fund the programs for FY 2008. DEQ will provide work plans for each set-aside to EPA describing how the specified 2007 capitalization grant funds are to be expended during FY 2008.

B. Funds Available for DWSRF Projects

As shown in Table 1, a total of \$108,006,872 will potentially be available during FY 07 for project loans. There is a great need for funding drinking

water infrastructure and the current demand for funds by projects that are ready to proceed will justify leveraging of funds. The Oklahoma Water

Resources Board (OWRB) plans to issue bonds in the fall of 2006 to meet needed funding for DWSRF projects.

C. DWSRF Leveraged Bond Issue

Similar to previous years, substantial demand for drinking water funds exceeds capitalization grants and state match amounts. The DEQ and the OWRB are proposing to issue DWSRF Revenue Bonds in an estimated amount of \$100,000,000.00 (sub-

ject to change) to finance the additional demand. The Revenue Bonds will be sized based on the amount of identified need, and a portion of the proceeds may include funds for the purpose of providing the state matching funds for FY 2006 and FY 2007

capitalization grants. The Revenue Bonds may be issued in a single series, or multiple, smaller series as funds are required for eligible project costs. The first series of Revenue Bonds are projected for issuance in the fall of 2006.

D. Description of Financial Status of DWSRF



City of Altus-Ultrafiltration System that feeds the new Altus Reverse Osmosis System.

During FY 2007, the funds expected to be available to the DWSRF include past capitalization grants and state matches, FY 2007 capitalization grant and state match, transfer of funds from the CWSRF, investment income, interest earnings, loan repayments, and leveraged revenue bond funds. The financial status of the DWSRF is further detailed in Table 1.

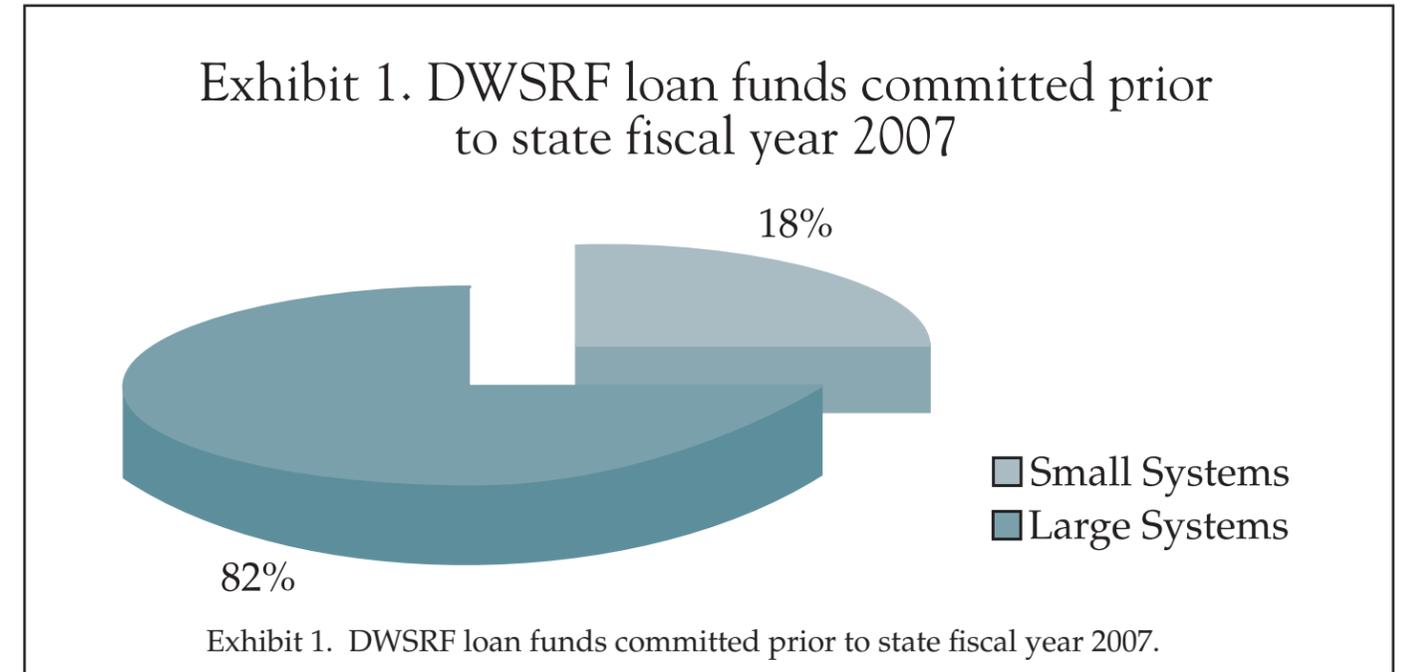
Intended Use Plan for the 2007 Capitalization Grant • DEQ

C. Binding Commitments

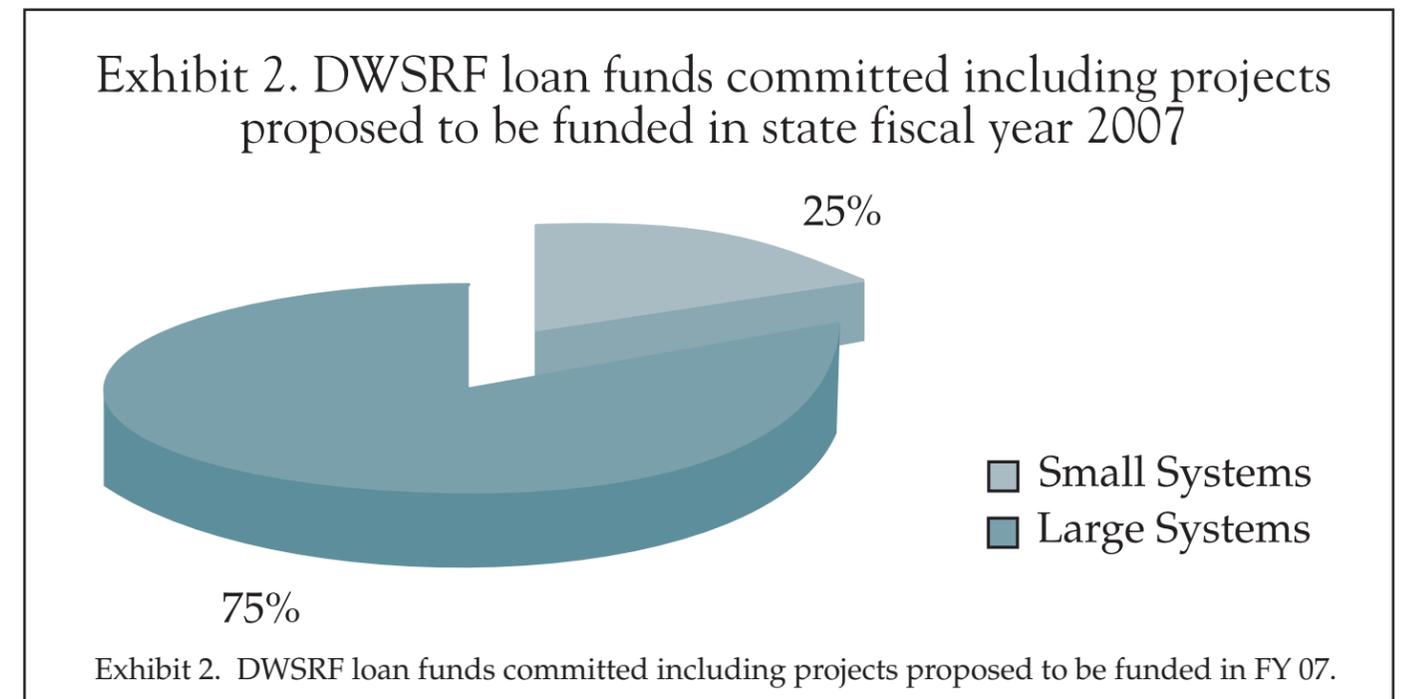
It is anticipated that the DEQ will enter into binding commitments with thirteen (13) small systems and five (5) large

systems during FY 07. Prior to FY 07, 18 percent of Oklahoma's DWSRF loans were made to small systems; therefore, DEQ

exceeded the 15 percent requirement for DWSRF loan funds to small systems. This is percented in Exhibit 1.



Including FY 07, DEQ expects 25 percent of all DWSRF loan funds committed since inception of Oklahoma's DWSRF program to be for small systems. This is percented in Exhibit 2.



V. Assurances and Specific Proposals

DEQ provides the necessary assurances and certifications as a part of the Operating Agreement between the DEQ and the EPA. The DEQ/EPA Operating Agreement includes the requirements of the SDWA, as follows:

1. The State has the authority to establish a DWSRF project loan fund and to operate the DWSRF program in accordance with the SDWA.
2. The State will comply with its statutes and regulations.
3. The State has the technical capability to operate the program.
4. The State will accept capitalization grant funds in accordance with a payment schedule.
5. The State will deposit all capitalization grant funds in the DWSRF project fund or set-aside account.
6. The State will provide an amount at least equal to 20 percent of the capitalization grant (State match) in the DWSRF project fund.
7. The State will deposit interest earnings and repayments into the DWSRF project fund.
8. The State will match capitalization grant funds the State uses for 1452 (g)(2) set-asides.

9. The State will use Generally Accepted Accounting Principles.
10. The State will have the DWSRF project fund and set-aside account audited annually in accordance with General Accepted Government Auditing Standards.
11. The State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments.
12. The State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner.
13. The funds will be used in accordance with the IUP.
14. The State will provide EPA with a Biennial Report.

15. The State will comply with all federal cross-cutting authorities.

The State agrees that binding commitments for DWSRF projects which receive loan funds made available from the capitalization grant will be made only after the State has conducted an environmental review according to DWSRF regulations (OAC 252:633) and a determination is executed and distributed using the EPA approved SERP.

The State agrees to submit Biennial Reports to the EPA on the actual use of funds and how the State has met the goals and objectives for the previous fiscal year as identified in the IUP for the previous year.



City of Altus-Reverse Osmosis feed pumps in foreground and Reverse Osmosis System in background (left).

VI. Criteria for Project Selection and Distribution of Funds

A. Distribution of Monies

The following criteria were used to develop the proposed distribution of the DWSRF monies:

1. Utilize set-asides as authorized by the SDWA.
2. Identify all possible public drinking water systems eligible to receive DWSRF assistance.
3. Identify and rank public drinking water system projects requesting financial assistance that results in compliance with SDWA requirements on the DWSRF Project Priority List.
4. Determine the readiness to proceed of each project ranked on the DWSRF Project Priority List.
5. Identify the sources and spending limits of DWSRF.
6. Allocate funds to projects ready to proceed according to the Project Priority System, Appendix B.
7. Develop a grant payment schedule that will be used to make timely binding commitments to the projects selected for DWSRF assistance. The anticipated federal DWSRF loan fund payment schedule for the 1997 through 2007 capitalization grants is included as Appendix D.
8. Develop an outlay schedule to pay project costs as incurred.

All funds in the DWSRF will be used to provide direct construction loans, long-term small community loans, or to refinance existing debt obligations of eligible applicants, when such debt obligations were incurred, and the construction commenced after July 1, 1993, and all program requirements have been met.

Provisions for project bypass, assistance deadlines, and default are addressed in the DEQ DWSRF Regulations and/or State legislation implementing the DWSRF.

Set-aside funds are used for the administration of the DWSRF program, to provide small system technical assistance, to manage the State program, to provide local assistance and

fund other State programs for water systems. These activities have a direct impact on solving existing problems and preventing future problems. By implementing these programs, the costly need for infrastructure may be reduced. An example is the Small System Technical Assistance Program that provides a water system with training and assistance to operate a plant more efficiently. This will enable the water system to make operational changes to meet the new, more stringent levels for turbidity, trihalomethane and haloacetic acid, rather than spending funds on costly construction for upgrades that may be unnecessary.

Though using set-asides may take away from the



City of Bartlesville-Finished water storage tanks at the Bartlesville Water Treatment Plant.