

SFY 2017 Safe Drinking Water Loan Program Intended Use Plan
Response to Comments

Name	Association	Comment	DNR Response
Mary Wagner	Mid-States Associates	It is going to be a little tough to get communities identified, community buy-in (especially since they haven't been thinking in this direction), variance submitted, application/plans/specs authorized and then done to get everything in by June 30 for laterals (since for most places we have all of maybe two board or council meetings left before that). Because of that and also the different nature of the work, would there be allowances or expectations or different methodology for the lead services? Would it be permissible to put in for the funds based on best estimate and then draw based on service by service costs?	The Department recognizes the timing needed for planning and implementing infrastructure projects; however the Department is bound by SRF requirements, which are established in statute and Administrative Code. Where possible, we are offering flexibility with respect to program requirements. For example, a sample variance request letter has been posted on the website for communities to be eligible for the private LSL PF in SFY 2017. In addition, the Department is working on a process for awarding private LSL PF for applications submitted beyond the June 30, 2016 deadline if sufficient funds remain after the projects meeting the 6/30 deadline have funds allocated to them. We also understand that the locations of private LSLs are not always known, so to some extent, we will need to accommodate unknown conditions. However, we also want to be sure that private LSL PF funds are allocated appropriately, and the project scope for any application requesting LSL funding should fully disclose the known and the potential for unknown LSLs.
Mary Wagner	Mid-States Associates	Also, plans and specs would be pretty different or virtually non-existent. Would a spec to describe what the replacement would be (materials, bedding, curb stop, joints, pressure testing) and another to describe what to do with the old lead lines be enough?	The requirements for water service lines are governed under the Department of Safety and Professional Services. The DNR would not review and is not requiring plans and specs to be submitted for LSL replacement work (note: water main projects will still need to be submitted per NR 811, Wis. Adm. Code). However, a map showing the location of the LSLs to be replaced will be required prior to executing the funding agreement.

<p>Mary Wagner</p>	<p>Mid-States Associates</p>	<p>Would it also cover the water utility's portion of the service lines from the main to the curb stop, or not? Is that a separate variance and application? Identification issues- in some communities they know they have the LSLs, just not sure which ones. Or they know neighborhoods that are likely but 5 of 8 might be lead. What happens when they dig up one thinking it is lead and it is something else? Who would have to pay for that work? Does this go into the house for the household plumbing as well?</p>	<p>The municipality's portion of the work for a full LSL replacement would be subject to traditional SDWLP funding. Any "regular" PF that a municipality might be eligible for could be applied to costs associated with the municipality's portion of the service line replacement. The private LSL PF allocations are for replacing the private portion only. There are measures the municipality can take to better determine the location of LSLs (for example, verify pipe material entering the home, before the meter); however if a line is excavated, and it's discovered that it is not an LSL, the excavating costs would still be covered by the private LSL PF. Household plumbing is not eligible for LSL PF. The Department will be communicating implementation details in the near future.</p>
<p>Mary Wagner</p>	<p>Mid-States Associates</p>	<p>Does the loan share get paid back by an assessment to the homeowner for the say 40% loan if a community gets 60% PF?</p>	<p>The revised IUP has been clarified to better differentiate between regular PF and private LSL PF. If a municipality is eligible for "regular" PF at 15% or greater, then they are eligible for the full private LSL PF (capped by population), and not just a percentage of those funds. The municipality will determine how they wish to distribute the private LSL PF funds within their municipality, to the homes receiving private LSL replacement. Since principal forgiveness acts like a grant, the private LSL PF can fund 100% of a service line replacement and as such costs would not need to be recovered through an assessment. However, a municipality may structure a program that includes shared private LSL funding arrangements, with portions of the total cost divided between homeowners and private LSL PF funds.</p>
<p>Mary Wagner</p>	<p>Mid-States Associates</p>	<p>What about other sources of lead in the system such as lead joints, hydrants, well water, cast iron pipe with lead rope gaskets, etc.? I would encourage those to be prioritized as well, and perhaps funded with the 'private LSL lead funds' so a hardship community wouldn't have to worry about getting just the private work done but then have their utility work that is part of the same larger picture end up with a low score and not get PF...keep the pieces of the puzzle together if possible.</p>	<p>The Department does not recommend partial LSL replacements since recent data indicates elevated lead levels can result from such actions. The private LSL PF funds will be limited to full LSL replacement projects (or projects that include portions of LSLs that were already partially replaced in which case the use of these funds will result in a full LSL replacement). Regular PF can be used for the public portion of the water system, including the items you listed.</p>

<p>Mary Wagner</p>	<p>Mid-States Associates</p>	<p>That said, it is very critical also, to avoid chaos on the list for those communities that are going forward with 2017 application/plans/specs, hoping for PF on the priority list that has been published already. It is a huge commitment and investment for many of these smaller hardship communities. The communities know there can be 'some' changes to the priority list but they really count on it in their decision-making, and a massive reshuffle due to lead variances would be a disaster for some and unfair with the commitments they have made based on it.</p>	<p>All complete SFY 2017 applications received by the June 30th deadline will be evaluated for regular and private LSL PF, as applicable. Regular PF is awarded based on priority score order until all funds are allocated. Variances from the ITA/PERF requirements for LSL projects requesting private LSL PF will be allowed for SFY 2017 projects and accompanying applications will be included in the Funding List if received by June 30th. Applications received after June 30th for SFY 2017 SDWLP funding will be allowed; however, those projects would not be eligible for "regular" PF and will only be funded as remaining funds allow.</p>
<p>Mary Wagner</p>	<p>Mid-States Associates</p>	<p>Any other materials being targeted? Will the PF for schools and day care centers be at the say 60% rate of the community or will it be 100% PF for those? Are there code changes to allow this?</p>	<p>At this point, the private LSL PF will be allowed for removing lead service lines, which may include lead goosenecks and galvanized metal pipe that has previously been connected with lead pipes. The municipalities would be responsible for determining how private LSL PF funds are distributed. The Intended Use Plan is part of the conditions of our federal grant and code revisions will not be necessary for awarding LSL PF.</p>
<p>Jeff Roth</p>	<p>Town of Menasha Water Utility</p>	<p>Although we do not have any lead services in our system, I agree there should be funds available to help replace lead service lines.</p>	<p>Thank you for your support.</p>
<p>Frank Miller</p>	<p>Cudahy Water Utility</p>	<p>I know there is a lot of work to do on your end to flesh out this lead grant program but I have a couple thoughts from the utility perspective. 1. Will this go to the utility or the municipality? In a lot of ways it may be better if it goes through the municipality, I am concerned about WIPSC conflicts if we get the money. 2. Can the municipality or utility control where the money is used? If we can align use of the grants with planned main replacement that is great, if homeowners all over the service area can apply for grants it causes a problem. If I have 20 homeowners who want to replace a service the utility will have to replace our side. Well that represents costs we do not have budgeted. 20 LSL replacements could cost us \$100,000 which is 20% of my capital budget. 3. Can the utility or the city set up the program so that we can either give a lump sum that we know will cover the major share of the costs and require the homeowner to contribute a portion, force them to get some "skin in the game". I think the entire concept is awesome and puts WI on the leading edge of the lead issue, however the devil will be in the details. I hope WIDNR does not hesitate to ask the various utility groups (AWWA and WRWA) in the state for some input we would love to share our thoughts and concerns.</p>	<p>Thanks for your support. The answer to your questions are 1. The Department awards funding to municipalities, which may include utility districts. However, we note that even if a water utility applies for funding, the recipient of the financial assistance is the incorporated entity, rather than the utility itself. The water utility will need to track costs associated with private LSL PF and separate them from costs associated with other main replacement and utility-owned LSL replacement activities. 2. & 3. The funding is with the municipality and the municipality can determine how private LSL PF funds are distributed within their municipality for the replacement of the private portion of LSLs. The private LSL PF application addendum will include a place for the municipality to describe their distribution plan and provide accompanying maps. There are a variety of options that will allow municipalities maximum flexibility with dispersing these funds.</p>

Wade Peterson	Baraboo Water Utility	Any help with removing lead pipes from our water systems would be great! Baraboo has approximately 600 lead services on the utility side of the service. That is greater than 10% of the services in our entire system. Between our population and our MHI, we wouldn't score very well. However any hope of assist would make a difference.	Thank you for your support.
Lisa Gottsacker	Sheboygan Water Utility	The Sheboygan Water Utility does not own service laterals, homeowners own service laterals. Costs to replace privately owned lead service laterals are not allowed to be incorporated into user rates. Replacing and updating aging infrastructure is an increasing problem, putting pressure on annual budgets. For these reasons, we feel that utilities should not be required to assume debt, if they qualify for PF. 100% PF would enable communities to begin replacing lead service laterals, aiding in public safety, without added budget pressures.	The SDWLP is a loan program from which a portion of the funds available can be awarded in the form of Principal Forgiveness (PF). For SFY 2017, because many municipalities may have already self-funded projects for this construction season, the DNR is willing to allow PF-only loan awards for private LSL replacements. We anticipate that those seeking private LSL funding for SFY 2018 will be required to obtain loan funding from the SDWLP to be eligible for the PF if loan funding is needed for their project. The SDWLP does not award PF-only loans for "regular" PF.
Keith Haas	City of Racine	Getting draft P&S to the State by June 30, 2016 is a stretch. My engineers are telling me that the 2017 work will likely exceed what local contractors can physically perform and we may need to do some lead services in the fall of 2016 and the remainder in the spring of 2017. The City likes us to be done by May so they can do the necessary paving. We estimate that our demand for funds for Private side lead service replacements will exceed the \$500,000 limit for Racine. We would desire that the program offer eligible communities to exceed the maximum allotted amount if unallocated funds exist in the pool or pot for those requesting communities. If you could insert a sentence in the funding documents that if an excess is available , the DNR reserves the right to allocate additional funds to requesting communities that would be great. You could always limit the additional funds to be twice the allocated amount. The approved loan documents could always be amended prior to closing with the revised limits.	The requirements for water service lines are governed under the Department of Safety and Professional Services. As a result the Department would not review and is not requiring plans and specs to be submitted for LSL replacement work (note: water main projects will still need to submit per NR 811, Wis. Adm. Code). However, a map showing the location of the LSLs to be replaced may be required before funding is awarded. At this time the DNR anticipates a significant amount of interest for the SFY2017 LSL PF. The Department is working on a process for awarding LSL PF for applications submitted beyond the June 30, 2016 deadline if sufficient funds remain after the projects meeting the 6/30 deadline have funds allocated to them.
Keith Haas	City of Racine	It might be helpful to use the examples that you used in your slide presentation at the regulatory affairs seminar in the guidance document in draft for us to review. Like a \$2 million project, with \$500,000 for private property and then 15% PF with a limit on how much PF is available on the \$1.5 million portion. I assume applications will be ranked also by points according to published rules and regulations. PF will be given out in a priority funding methodology so just because you are below MHI you may be in line behind 100 others for the same PF money available for normal projects. Will additional points be awarded for projects with Lead service line removal in the public Right of way? that would assure that those projects will go forward and utilize the LSL on private property as well. Without one, the other seems illogical.	Thank you for your feedback. We'll be sure to put examples in our outreach materials to help municipalities understand better how this might work for them. At this time, additional points are already awarded for projects with lead service lines. The points designated to projects are specified by NR 166.23, Wis. Adm. Code, which was just revised and became effective July 1, 2015. We also note that municipalities should make sure the information on utility-owned lead service lines reported to the PSC is accurate and up-to-date.
Lawrie Kobza	Municipal Environmental Group - Water	MEG - Water strongly supports the draft plan's inclusion of funds for principal forgiveness to facilitate the replacement of lead service lines on private property. The comments that follow address how we expect utilities may use the program and related logistical and costs issues.	Thank you for your support.

<p>Lawrie Kobza</p>	<p>Municipal Environmental Group - Water</p>	<p>I assume applications will be ranked also by points according to published rules and regulations. PF will be given out in a priority funding methodology so just because you are below MHI you may be in line behind 100 others for the same PF money available for normal projects.</p>	<p>You are correct. All projects eligible to submit a SDWLP application are scored using the Priority Evaluation and Ranking Formula specified in ch. NR 166.23, Wis. Adm. Code. SDWLP funds, including traditional PF and private LSL PF, are allocated from highest priority score to the lowest priority score applicants. Historically, the Department has received 20 - 30 SDWLP applications on an annual basis, which is approx. 10-15% of the number of ITAs/PERFs submitted. Those projects for which a complete application is submitted by the June 30th deadline are placed on a Funding List in priority score order. Available SDWLP funds are allocated to projects in priority score order based on estimated budgets and regular PF is allocated similarly based on the eligible percentages assigned to the municipality (up to the cap). Projects seeking private LSL PF will be included on the list and private LSL PF and regular PF will be allocated and tracked separately. It is critical that the Department allocate, track and disburse funds for work on private property separately.</p>
<p>Lawrie Kobza</p>	<p>Municipal Environmental Group - Water</p>	<p>MEG - Water urges the Department to be creative and take the opportunity to develop a process that will work for utilities and maximize the amount of private lead service line replacement done.</p>	<p>The Department concurs that identifying ways to streamline processes and maximize full LSL replacements will be a priority.</p>
		<p>In discussions among municipal utilities, it appears that utilities in the best position to qualify for these funds are those that are (i) undertaking a main replacement project with lead services; (ii) already applying for SDWRLF funding; and (iii) able to expand their project to include the full replacement of lead service lines. If that is the case, the replacement of private lead services can be included in the application, engineering report, and plans and specifications that cover the major main replacement project. The replacement of private lead services can be included in the construction contracts and the utility's general contractor can subcontract with a licensed plumber to perform this work. The construction contract can require that the standard SDWLP requirements be met. Utilities that may be interested in proceeding in this manner have indicated that it would be helpful for them if the Department provided a streamlined reimbursement form that the utility would be able to use to obtain principal forgiveness for the private lead service lines replaced. This form would provide utilities with guidance on what would need to be included in their construction contracts in order to ensure reimbursement.</p>	<p>Municipalities applying for private LSL PF are not restricted to items i-iii. Municipalities may conduct 'spot replacement' of partial LSLs that may remain, or full LSLs on mains that are not being replaced. Private LSL PF is limited to the costs associated with the private portion of LSL replacement. The Department is planning on having a separate disbursement form for private LSL PF reimbursements to ensure utilities have sufficient documentation to determine that user charges are not being used on private property.</p>

		<p>Many utilities, however, do not typically seek SDWRLF funding for their main replacement projects and are not inclined to do so in order to obtain principal forgiveness for private lead service replacement. Some of these utilities have indicated that they may be more inclined to seek SDWRLF for their main replacement projects if there was a greater opportunity for regular principal forgiveness for the utility's portion of the project. They ask whether in the future the points awarded to water main projects with lead services may be increased.</p>	<p>The Department just completed the three year rule revision process which included a review of SDWLP project scoring criteria (rules became effective July 1, 2015). At this time, the Department is not planning on initiating the rule revision process and revising the scoring system to account for this work. The Department notes that the effective interest rate for municipalities with a population under 10,000 and an MHI of 80% or less than the State's MHI is 33% of the current market rate. The effective interest rate for all other municipalities is 55% of market rate. With the current market rate of 3%, the effective interest rate is .99% or 1.65%, respectively.</p>
Lawrie Kobza	Municipal Environmental Group - Water	<p>Utilities that are not otherwise seeking SDWRLF funding, would still like to make principal forgiveness available to their customers who own lead service lines. These utilities are interested in an approach similar to that taken by the City of Madison. Under that approach, the municipality requires the property owner to replace its private lead service line but allows the property owner to seek a rebate from the municipality for all or some of the cost of the replacement. The property owner is responsible for contracting with a licensed plumber to work on the private property. The municipality does not contract with plumbers or arrange for work on private property, although the municipality may compile a list of qualified plumbers who could perform the work. Upon completion of the work, the property owner is able to seek a rebate from the municipality for some or all of the replacement cost. The municipalities interested in this method would like to be able to provide their customers with a rebate from funds that would come from the principal forgiveness available under the revolving loan fund. MEG - Water urges the Department to consider how the SDWRLF could be used to facilitate this type of rebate program. We understand that this will involve some deviations from the Department's existing program, however since variances from NR 166 will need to be granted for this program in any case.</p>	<p>The Department is assessing a variety of options for municipalities to use the private LSL PF in ways that can leverage the private LSL PF as much as possible. More information on those options will be forthcoming.</p>
Lawrie Kobza	Municipal Environmental Group - Water	<p>We also urge the Department to closely consider whether Davis Bacon requirements need to apply to a rebate program where no construction is taking place on the public system and where the municipality's involvement is just providing a rebate for private work done. This is an issue which we believe needs to be thoroughly explored as it will have a significant impact on the amount of private lead service line replacement that can be done.</p>	<p>The Department has had discussions with US EPA Davis Bacon specialists and is pursuing greater clarification regarding the circumstances in which this requirement would apply to LSL PF funds for work done on private property. We note that DBE solicitation and Use of American Iron and Steel requirements will be applicable to these projects.</p>
Taryn Nall	Kaempfer and Assoc.	<p>Are communities requesting funds required to demonstrate that they have treatment in place for corrosion control?</p>	<p>Corrosion control treatment is not a requirement for funding LSL replacement on private property.</p>
Taryn Nall	Kaempfer and Assoc.	<p>The Intended Use Plan does not identify the number of lead services in Wisconsin or the number of communities that are above the action level for lead. Interior lead plumbing has been shown to be a major problem in schools. Plumbing that contains lead should be replaced at a minimum from the service to fixtures used for drinking water.</p>	<p>SDWLP funding cannot be used for replacing fixtures or plumbing inside the home or a building. We encourage utilities to contact WI DOA - CDBG for potential funding for activities inside the home.</p>

Taryn Nall	Kaempfer and Assoc.	The SDWLP Program is aiming at removal of lead services. Is the funding only for the service lines to the shut off valve in a building or does it include replacement of interior plumbing that contains lead?	Private LSL PF can only be used for the buried portion of the private line running into the home and connecting to the water meter. SDWLP funding cannot be used for replacing fixtures or plumbing inside the home or a building. We encourage utilities to contact WI DOA - CDBG for potential funding for activities inside the home.
Taryn Nall	Kaempfer and Assoc.	Some communities in Wisconsin are replacing private property water services and sanitary laterals by directional drilling. Water services are strapped to the sanitary laterals. HDPE piping is used. Would the sanitary laterals be eligible for funding?	This activity would not be eligible under the SDWLP and WI Statutes specifically prohibit the use of the Clean Water Fund Program for replacing sanitary laterals. These costs would not be eligible for funding.
Taryn Nall	Kaempfer and Assoc.	Highlighting target areas in communities is a good idea; however, obtaining income and unemployment data for the areas will be difficult and labor intensive.	We were recently informed that federal regulations prevent us from highlighting target areas within a municipality as "disadvantaged". Therefore, the IUP will be revised to omit this option from our proposal.
Taryn Nall	Kaempfer and Assoc.	The implementation of the projects with the USEPA requirements will be much more difficult for this type of work on private property than for work that has traditionally been funded through the SDWLP on public property.	Where applicable, federal requirements will need to be followed when using federal money. However, we are working with the federal agencies to clarify when these requirements apply for work done on private property. As previously noted, more clarity on the applicability of Davis Bacon requirements will be forthcoming.
Barbara Richards		Dear Ms. Schmidt, I have become aware of the circle of officials passing along the responsibility for safe water for Milwaukee's most needy residents to each other. We know from the Flint story that this way of dealing with a problem only makes the problem worse - for those deciding and those whose health is compromised. Please sit down with the partners involved in passing the buck and decide what can work for the most number of people. Thanks for carrying this forward to a successful conclusion.	The purpose of this program is to provide assistance to municipalities throughout Wisconsin for the lead service line replacements on private property. We are communicating with municipalities to help ensure this program meets their unique needs.

<p>Mayor Tom Barrett</p>	<p>City of Milwaukee</p>	<p>Under the proposed IUP, the City of Milwaukee will be eligible to apply for a maximum of \$750,000 in principal forgiveness to be used toward private LSL replacement, plus an uncapped additional amount to replace daycare center LSL. We also understand that the total amount of principal forgiveness to be made available is \$11,800,000 and that there are approximately 176,000 LSL in use throughout the State of Wisconsin. Given the distribution under the proposed IUP, I must address the issue of equity for our residents. Milwaukee by far has the largest number of lead service lines in the state and a median household income (MHI) 67% of the state MHI. Under the formula distribution, Milwaukee would receive only 6.35% of the funds even though it has close to 40% of the state's identified LSL. I realize we could also receive funds for daycare center LSL, but the fact that other communities would also be eligible for those funds could leave the inequity largely intact. While I appreciate the desire of the DNR to distribute available funds across the state and that many communities are in need and deserving of assistance, it is simply inequitable to provide some communities with enough funds to replace all or most of their private LSL, while leaving the vast majority of our residents to address a serious public health risk on their own dime, or at their landlord's whim.</p>	<p>The DNR appreciates the situation the City of Milwaukee faces with respect to the number of LSLs needing replacement along with the city's MHI. We also understand that there is a lack of information throughout the state regarding the total number of private LSLs needing to be replaced. The PSC information regarding LSLs are based on reports by the utilities with respect to LSLs on the utility side of the service line. Based on review of the funding available, the information you present with this comment, the number of communities that have contacted us to-date about their LSL concerns and importance of ensuring all municipalities have access to these funds, we believe increasing the cap for municipalities with a population > 500,000 to \$1,000,000 from the original \$750,000 is appropriate. We also note that there is no cap for the replacement of private LSLs that serve licensed day care centers and schools and anticipate that Milwaukee will access the private LSL PF for additional funds for these activities.</p>
<p>Mayor Tom Barrett</p>	<p>City of Milwaukee</p>	<p>I am happy to see that a provision was included to exceed the municipal cap to provide for LSL replacements at licensed daycare centers. A survey conducted by city staff indicates there are as many as 500 local daycares with LSL in Milwaukee. Given past practice, the Public Service Commission may not allow MWW to use ratepayer funds to replace the utility side of LSL serving daycare centers to coordinate with the private side replacement. We would also like to have better definition regarding how to apply for the daycare funds provided in the IUP, and clarification on whether projects to replace private side LSL serving daycare centers are subject to the same application process and June 30th submittal deadline.</p>	<p>The PSC is part of the private LSL PF program implementation team and we are working out details regarding the ability for municipalities to "target" the use of private LSL PF for day care centers. While the IUP does not provide that level of detail, we are committed to ensuring that these funds are made available for areas where children congregate. Municipalities will need to submit a SDWLP application and private LSL addendum in which they will describe the project scope. The private LSL Addendum provides the municipality with the option of selecting daycare centers/schools as one type of funding being requested. Detailed locations of those facilities will not be needed at the time of the application, however, an approximate number of private LSL replacements is required to ensure we allocate sufficient funds for the needs of the municipality. As municipalities make plans for local allocation of funding sources, it is important to note that, while the Public Service Commission has disallowed rate recovery of costs associated with privately-owned lead service lines, it has not disallowed funds for replacement of utility-owned lead service lines.</p>

<p>Mayor Tom Barrett</p>	<p>City of Milwaukee</p>	<p>While I understand the importance of defining shovel-ready replacement projects in advance, in practice, LSL develop leaks as the infrastructure ages, independent of water main replacement projects. These leaks are emergencies that need to be dealt with as they occur to prevent property damage and wasted water. The MWW's response to these leaks is to replace the "city" side. Since we are unable to identify these leaks at the time of application, I request some flexibility to re-prioritize a small percentage of the funding to these LSL projects as emergencies arise.</p>	<p>The Department understands this concern and will work with municipalities so as to have flexibility with being able to use private LSL PF to replace the private property owner's portion on emergency LSL repairs that occur within a system.</p>
		<p>We would also like to see further clarification of the timeline allowed for reimbursement claims to be submitted. A longer time period that stretches well beyond the fiscal year would be appreciated.</p>	<p>As we further develop implementation policies, we will take this comment under advisement.</p>