

Negotiated Rulemaking for Wastewater Loans (dockets 58-0112-1501)

July 21, 2015

Agenda

- Welcome
- Introductions
- Water Recovery and Resource Development Act Summary
- Review Draft Rule (Chapter 12) Changes
- Next Steps

Water Resources Reform and Development Act of 2014 Summary (continued)

“...a State shall establish affordability criteria...based on

- income
- unemployment data, and
- population trends...”

Water Resources Reform and Development Act of 2014 Summary (continued)

Requires changing the Disadvantaged Loan criteria
The criteria governs when and to what extent DEQ can
adjust basic loan criteria, to make the loans more
affordable for economically disadvantaged
communities

[[IDAPA 58.01.12 Sections 021.01 and 021.02](#)]

DEQ is suggesting a change from the singular reliance
upon user rates exceeding 1.5% of median household
income to a bifurcated approach

Water Resources Reform and Development Act of 2014 Summary (continued)

1. If rates will exceed 2% of median household income than loan terms (including interest rate reduction, repayment term extension, and principal forgiveness) can be amended to bring the user rates down to 2%
2. If rates are between 1.5% and 2%, loan terms can be adjusted to bring the user rates down to 1.5%, if unemployment exceeds the state average and if the community's population is in decline

Review of Draft Rule Language for Loans (open discussion)

021.01 Qualifying for a Disadvantaged Loan. In order to qualify for a disadvantaged loan, a loan applicant must have an annual user rate for wastewater service for residential customers which exceeds ~~one and one-half percent (1^{1/2}%)~~ two percent (2%) of the applicant community's median household income or, if the user rate is between one and one-half percent (1½%) and two percent (2%) of the applicant community's median household income, the community must also have: unemployment that exceeds the state average; and a decreasing population.

Statistic on Loan Terms

Based upon the past 6 years (the time during which principal forgiveness has become the norm):

- Communities that will receive principal forgiveness under the new rules should expect to receive 133% of that received by comparable systems in the past

Review of Draft Rule Language for Loans (open discussion)

021.02. Adjustment of Loan Terms. DEQ will equally apportion funds available for principal forgiveness to all prospective disadvantaged loan recipients. Consistent with achieving user rates ~~of one and one half percent (1^{1/2}%) of the applicant community's median household income~~ as per the criteria set forth in Section 021.01

Review of Draft Rule Language for Loans (open discussion)

021.02.a. Decreasing Interest Rate. The loan interest rate may be reduced from the rate established by the Director for standard loans to a rate that results in an annual user rate ~~equal to one and one half percent (1^{1/2}%) of the applicant community's median household income~~ equaling the criteria set forth in Section 021.01.

Review of Draft Rule Language for Loans (open discussion)

021.02.b. Principal Forgiveness. If even at zero percent (0%) interest, the annual user rate per residential user still ~~exceeds one and one half percent (1¹/₂%) of median household income~~ exceeds the criteria set forth in Section 021.01, then the principal which causes the user charge to exceed ~~one and one half percent (1¹/₂%)~~ may be reduced except the criteria set forth in Section 021.01. may be partially forgiven or reduced. The principal reduction cannot exceed fifty percent (50%) of the total loan. Principal forgiveness terms may be revised (from initial estimates established in the annual Intended Use Plan) based upon final construction costs, such that loan terms do not result in user rates that are below ~~equal to one and one half percent (1¹/₂%) of the applicant community's median household income~~ the criteria set forth in Section 021.01.

Next Steps

Negotiated rulemaking meeting	7/21/2015
Comment deadline on draft rule	8/4/2015
Administrative Bulletin;	9/2/15 – 9/30/2015
<ul style="list-style-type: none">• Includes 28 day comment period	
Board Meeting	11/18 or 19/2015
Pending rule reviewed by Legislature	1/2016
Pending rule becomes final and effective if approved by Legislature. Sine die 2016	

Follow up questions/comments

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