

## Combined Sewer Overflows (CSOs) Discount

In July 2016, Ohio EPA issued a “call for nominations” for the upcoming Water Pollution Control Loan Fund (WPCLF) Program Year (PY) 2017. One of the discounts offered was up to \$100 million at 0% interest rate for CSO projects. After further evaluation and discussion with our customers, we are extending the offer beyond the annual PY cycle, creating a new multi-year discount.

Starting in PY 2017, Ohio EPA is committing \$300 million at 0% interest for CSO projects in the next three years. On November 2, 2016, we will issue a special one-time “call for nominations” to CSO communities for their CSO projects that are expected in calendar years 2017, 2018, and 2019. CSO communities that submitted a nomination in August 2016 and want to take advantage of this discount should submit a new nomination along with the one-page addendum. To give communities enough time to thoroughly assess their projects, we are proposing a 60-day nomination period.

This discount targets CSO construction projects. However, during this time, you may also nominate your CSO project for a separate planning and/or design loan, if needed. While stand-alone planning and/or design loans do not qualify for this 0% interest rate, where applicable, they may be rolled into a future 0% construction loan. The stand-alone interest rate will be determined based on available options at the time of loan award.

Because the 2017 PMP will be finalized in December 2016, and since we need additional time to score, rank, and public notice the projects, we will formally amend the PMP in early 2017 to reflect the additional CSO projects that are eligible for the discount.

The general schedule for the CSO program is as follows:

- November 1, 2016 – Ohio EPA issues a special one-time call for nominations.
- November 1 - December 30, 2016 – Project nomination period.
- January 1-31, 2017 – Ohio EPA scores and ranks the nominated projects.
- February 1, 2017 – Ohio EPA public notices the DRAFT project list.
- February 1 - March 3, 2017 – Public comment period.
- March 15, 2017 – Ohio EPA amends the 2017 PMP.

Since we expect demand for this discount to far outweigh available funds, we have developed selection criteria that focuses on the following:

- Integrated Priority System (IPS) Score. This is the “standard” water quality and human health scoring system that has been used by the WPCLF for over 15 years. To consider the human health and environmental impacts of CSOs, projects that have the most potential to improve the discharging waterbody will score higher than those with less potential. We will use our existing IPS scoring method for this evaluation. For more information on this method, see <http://www.epa.ohio.gov/Portals/29/documents/ofa/PY%202015%20IPS-Updated%20Version.pdf>.

- Location within the western Lake Erie basin. To help reduce the adverse impacts to western Lake Erie caused by excessive nutrient loading, projects located in the western drainage basin will score higher than those outside the basin.
- Readiness to proceed. To encourage adherence to start schedules, and possibly even accelerate some schedules, projects that are slated to begin earlier within the three-year window will score higher than later ones. Projects scheduled beyond the three-year window will not be evaluated, scored, or considered for this specific discount; those projects could qualify in the future for either standard rate loans or other discounts, if eligible.

In addition to the selection criteria, Ohio EPA has established a maximum of \$25 million per community for eligible projects. Depending on the project amounts nominated, this maximum may be adjusted. For communities that have CSO projects with a cost exceeding the \$25 million, the excess could qualify for either standard rate loans or other discounts, if eligible. CSO projects nominated by communities that meet the criteria for a 0% loan due to hardship will not be evaluated, scored, or considered for this specific discount because they are already eligible for 0%.

Ohio EPA staff will work very closely with eligible applicants to develop a project that can be awarded within the three-year timeframe. Towards the end of each calendar year, Ohio EPA will evaluate the status of the available funds and the outstanding projects on the priority list. The evaluation will determine if projects eligible for the discounted rate are actually capable of applying for and entering into a loan agreement with Ohio EPA by the end of September of the following year. If a project is determined to be incapable of meeting the program requirements, then that project will be bypassed. Funds made available through the bypassing procedure may be awarded to other eligible projects on the priority list.

In addition to readiness, a project may be bypassed due to an applicant's inability to meet all other WPCLF requirements, failure to develop an approvable, implementable project, or for other reasons applicable under state or federal law. This may occur when the project's general plan or detailed design approval, advertisement for bids, award of the loan, or award of construction contracts cannot be reasonably projected or met by the dates established in the project's schedule. Projects otherwise not in compliance with the provisions of this PMP or program requirements may also be subject to this bypass procedure.

Currently, we have the legal authority to offer direct 30-year loans. Pending U.S. EPA concurrence, we expect to have the ability to offer 45-year loans. In either case, the term of the loan cannot exceed the design life of the constructed facilities. Furthermore, a structured payment schedule could be applied to these projects as well.