

From: [Shekter Smith, Liane \(DEQ\)](#)
 To: [Butler, Sonya \(DEQ\)](#)
 Subject: RE: DWSRF LOAN FORGIVENESS
 Date: Thursday, October 08, 2015 5:08:00 PM

EPA has indicated that lead service line replacement is eligible for principal forgiveness under GPR. Water savings/conservation for not having to flush and waste treated water; and wastewater savings not having to treat wasted drinking water.

Liane J. Shekter Smith, P.E., Chief
 Office of Drinking Water and Municipal Assistance
 Michigan Department of Environmental Quality
 517-284-6543

From: Butler, Sonya (DEQ)
 Sent: Thursday, October 08, 2015 4:18 PM
 To: Shekter Smith, Liane (DEQ)
 Subject: DWSRF LOAN FORGIVENESS

I stopped by to talk with you about a statement you made during the Flint talk. You mentioned that a lead service line is eligible for principal forgiveness. This is not accurate. Flint would be determined to be disadvantaged and that is how the lead service line project would be eligible for principal forgiveness.

Also I had a conversation with Sylvia . She asked:

- If DWRF could be used to reconnect Flint to DWSD? No, it's not the purpose of the DWRF.
- If SAW funding could be used to reconnect Flint to DWSD? No, it's not the intended purpose.
- If principal forgiveness could be provided to Flint? Yes, if they apply with a project that ranks high enough to receive available funding.

I know things are moving swiftly. Does Flint intend to apply for DWRF? If so, when?

From: Cossa, Laura [<mailto:cozza.laura@epa.gov>]
 Sent: Wednesday, October 07, 2015 5:11 PM
 To: Shekter Smith, Liane (DEQ); Benzie, Richard (DEQ)
 Cc: Crooks, Jennifer; Poy, Thomas; Butler, Sonya (DEQ); Deltoral, Miguel; Baltazar, Debbie
 Subject: DWSRF LOAN FORGIVENESS for LSL replacement

Hi Liane,

This is a follow up on your discussion with Jennifer Crooks - she asked me to confirm that the DWSRF loan funds used for lead service line replacement are eligible for loan (principal) forgiveness. That is correct. The last Capitalization Grant Award has the relevant Terms and Conditions copied below. The method of distributing principal forgiveness (e.g. based on green, disadvantaged status, etc) for communities applying for an SRF loan is up to the state and it must be explained in that year's IUP.

Please let me know if you have other questions.

Thank you.

Laura

3. Additional Subsidization

- a. The recipient agrees to provide additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants to recipients of eligible Drinking Water State Revolving loans in accordance with the Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235), and shall be so used by the recipient only where such funds are provided as initial financing or to buy, refinance, or restructure debt obligations only where such debt was incurred on or after the date of enactment of P.L. 113-235.
- b. **Priority for additional subsidies should be given to communities that could not otherwise afford such projects or that are defined by the State as disadvantaged.** To further ensure sustainability of eligible projects receiving additional subsidies, these subsidies should be directed to: 1) repair, replacement, and upgrade of infrastructure in existing communities; 2) investigations, studies, or plans that improve the technical, financial and managerial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure; and/or 3) preliminary planning, alternatives assessment and eligible capital projects that reflect the full life cycle costs of infrastructure assets, conservation of natural resources, and alternative approaches to integrate natural or “green” systems into the built environment. The recipient agrees to provide in its Annual Report an explanation as to how they did or did not address this provision.