



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Environmental
Conservation

DIVISION OF ADMINISTRATIVE SERVICES

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March 15, 2021

The Honorable Dan Ortiz
Chair, House Finance Subcommittee
State Capitol Room 513
Juneau AK, 99801

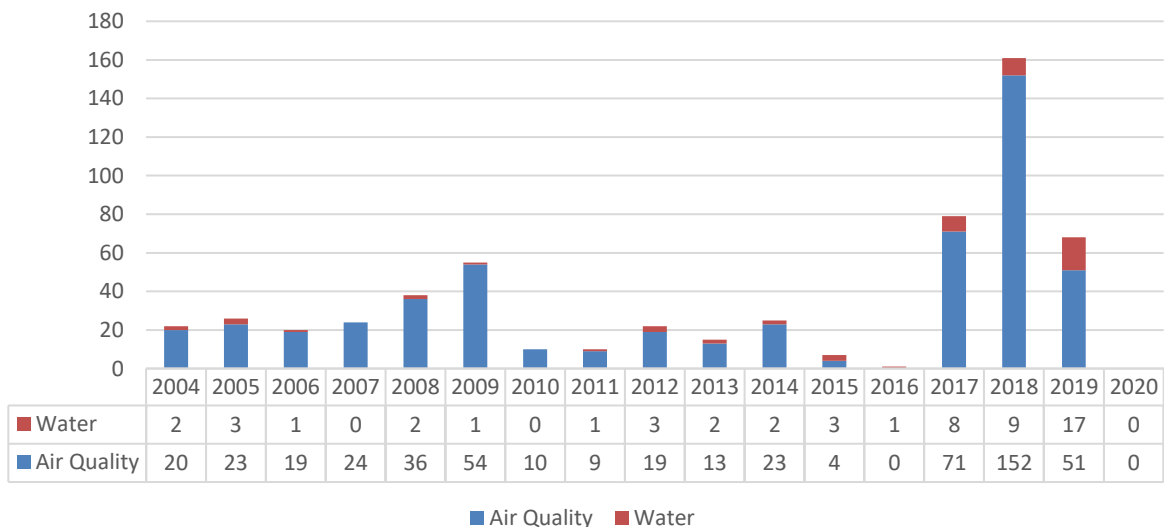
Dear Representative Ortiz:

Thank you for the opportunity to provide additional information about the Department of Environmental Conservation's Air Quality and Water divisions on March 4th. Several questions arose during this meeting that required additional information. I have responded to these questions below.

Do you have a log as to how often you receive complaints about cruise ships? Do you sometimes get complaints from passengers or people on board the ships? (Rep. Ortiz)

Below please find the number of complaints received related to cruise ships dating back to 2004, broken out by division. It should be noted that there was only one cruise ship that operated in Alaska waters for one voyage in 2020. Our records do not indicate whether the complainant was a cruise ship passenger or not.

Cruise Ship Complaints Received by DEC



Can you let us know the eligibility for the Clean Water and Drinking Water loans? (Rep. Tuck)

The Department administers two revolving loan funds, the Alaska Drinking Water Fund and the Alaska Clean Water Fund. Both loan programs are funded through annual capitalization grants from EPA and must be implemented in accordance with federal requirements. Both municipally owned water systems, as well as private water systems that are rate regulated by the Regulatory Commission of Alaska (RCA), are eligible for loans under the Alaska Drinking Water Fund. Only municipally owned wastewater systems are eligible for loans under the Alaska Clean Water Fund.

Many neighborhoods, particularly in larger communities, have privately owned water systems that serve a group of homes such as a homeowners association or subdivision. If these systems choose to follow the RCA process, they can become eligible for loans for drinking water improvements, and if these small systems are geographically near to a municipally owned utility the Department may be able to work with both entities to fund a project to consolidate them. Similarly, the Department is able to fund loans to municipalities to consolidate small wastewater systems. In most instances, consolidations result in a higher quality of service and reduced user rates to the customers formerly served by the small system.

The Department is presently working to establish a partnership in which Alaska Clean Water Funds are invested in a local lending agency that can then make low interest loans available to individual homeowners for improvements to their private onsite wastewater system. Once established, it may be possible to expand the program to provide loans to homeowners for removal and remediation of underground fuel storage tanks, as well as drinking water well improvements.

For additional information on this program, please find attached a State Revolving Loan Fund FAQ.

Is there a funding level for administrative fee reserves at which the Department feels comfortable and then could put more funds towards more grants? (Rep. Schrage)

The annual federal capitalization grants for the State Revolving Fund allow the Department to use 4% of the grant to administer the loan program. In recent years, this equates to approximately \$400.0 thousand per loan fund per year. Alternately, that 4% can be placed in the loan fund and made available for new loans. Additionally, all loans include a 0.5% fee the fund's disbursements. Under federal grant requirements, these fees have limited uses, including program administration. Because the revenue generated by the fees varies annually based on the number and size of loans in repayment, the program occasionally has to adjust the amount of set-aside funds and administrative fees used to fund administrative expenses.

Our goal is to strike a balance that meets the needs of customers. Presently, we have sufficient loan funds to easily meet the needs of all customers who are requesting loans. Therefore, it is advantageous to make use of the set-aside funds for program administration and reserve the administrative fees. As demand for new loans increases, we plan to rely more heavily on the administrative fees and divert the set-asides to the loan fund to meet that demand.

The State Revolving Loan Fund program does not have funding to provide grants. However, the federal funding conditions require that a portion of each annual federal grant award be used to subsidize new loans. The program meets this requirement by forgiving loan principal for borrowers that meet established criteria as disadvantaged communities. In most cases, loan forgiveness is fifty percent of the loan amount, up to \$500.0 thousand. Subsidy requirements are based on a percentage of the full capitalization grants, therefore, reducing the set-aside amounts used for program administration does not impact the amount of available subsidy.

Will we be maintaining a frequency of inspections that is at least similar to the frequency we had with the ocean ranger program? How will this affect the frequency of underway and in-port inspections? (Rep. Fields)

The Department's inspection frequency of commercial passenger vessels will be more substantial than for other industries, including the shore-based facilities permitted under Alaska Pollutant Discharge Elimination Systems (APDES) permits, that are generally inspected once every five years.

There will be a new focus on early season as-built inspections to evaluate and confirm that every pipe is accounted for and that treatment systems are functional and effective as permitted. There will also be a port-to-port overnight underway inspection for every discharging large vessel. Additional inspections, either in-port or underway, will be conducted as necessary. In the past, small vessels did not have observer coverage or regular inspections, so a plan for regular inspections is a significant increase for this vessel class.

Ocean rangers were observers and not credentialed inspectors with the depth of experience and knowledge base of the Department's year-round staff. While the Department will not spend the same number of hours on inspections as ocean rangers spent on observations, relying on Department inspectors will ensure more effective environmental oversight.

What can you tell me about scrubber water and its impact on local water quality while ships are in port? (Rep. Ortiz)

On January 1, 2020, a new limit on the sulfur content in the fuel oil used onboard ships came into force, known as "IMO 2020." The rule limits the sulfur in the fuel oil used onboard ships operating outside designated emission control areas to 0.50% m/m (mass by mass). Scrubbers can be used as an alternative to low sulfur fuels. There are various types of scrubber systems (wet: open/closed, dry). These scrubbers achieve the required emission reduction but generate wastewater, which can differ in environmental impact.

EPA's federal Vessel General Permit (VGP) includes conditions for scrubber water for vessels operating in U.S. waters. EPA is the primary authority responsible for ensuring compliance with the EPA-issued VGP. The EPA VGP will be in effect until the USCG finalizes regulations to implement the Vessel Incidental Discharge Act.

What can you tell me about the project to clean up the Tulsequah Chief mine? (Rep. Ortiz)

The Tulsequah Chief Mine is a past producing mine that is now proposed as an underground project in the Taku watershed about ten miles from the Alaska border. The mine site is adjacent to the Tulsequah River, which confluences with the Taku River approximately seven miles downstream. Acid Rock Drainage (ARD) has been leaching from the old mine workings and waste rock into the Tulsequah River since historic mining ceased in 1957.

British Columbia issued an Environmental Assessment Certificate (EAC) on Dec. 12, 2002 with 126 enforceable conditions. Under conditions of the EAC, the mine owner must address the existing ARD through reclamation, closure, and water treatment activities completed in conjunction with development of the new mine workings. Physical work on the mine occurred in 2020, and future surveys and studies are planned for 2021 to address ARD and other reclamation conditions in the EAC. The impacts of the ARD appear to be largely undetectable once the Tulsequah River flows

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into the Taku River due to the minerology in the overall watershed. More information on the Tulsequah Chief mine may be found at <http://dnr.alaska.gov/commis/opmp/Canadian-Mines/tulsequah.htm>.

If you would like more information or have additional questions, I am happy to assist.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ruth Kostik', with a long horizontal flourish extending to the right.

Ruth Kostik

Administrative Services Director

Attachment: State Revolving Loan Fund FAQ 2021

Cc: Michael Partlow, Legislative Finance Division
Jake Quarstad, Office of Management and Budget
Liz Harpold, Staff to Representative Ortiz