

State Water Infrastructure Authority

Meeting Date: July 13-14, 2022

Agenda Item S – Final Priority Rating Systems for the Wastewater and Drinking Water Capital Projects

Division of Water Infrastructure Staff Report

Background

The federal Clean Water Act and federal Safe Drinking Water Act provide states with the broad authority to implement and operate State Revolving Fund (SRF) loan programs, including project funding prioritization. North Carolina General Statute G.S. 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law.

The US Environmental Protection Agency (EPA) requires the Division of Water Infrastructure (Division) to update its Intended Use Plan (IUP) for the Clean Water SRF (CWSRF) and Drinking Water SRF (DWSRF) programs. Included within each program's IUP is the Priority Rating System (PRS), which contains the points applied by Division staff when an application for funding is evaluated. The Division proposes the PRS to the EPA each year in the IUP for each SRF and submits the IUPs to the EPA as part of the capitalization grant applications.

The same Priority Rating Systems are applied in the Division's State Reserve Programs. A similar system is applied in the Community Development Block Grant-Infrastructure program. The PRSs include four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management
4. Category 4 – Affordability

The current PRS provides a consistent and transparent methodology for prioritization that aligns with the Authority's Master Plan and statutory requirements. The PRS supports applicants in their continued efforts related to long-term utility viability.

At the Authority's April 13-14, 2022 meeting, the Division proposed draft changes to the PRSs for capital projects, and the Authority approved the Draft PRSs for public review.

The Division opened the public comment period on May 16, 2022. The public comment period closed on June 15. The following summarizes the comments received, provides staff response to each comment and staff recommendations for action on the PRSs.

Public Comments and Staff Response

Comment: Line Item 1.B states "Project will resolve failed or failing infrastructure issues." The previous priority rating system and guidance defines failed infrastructure, but there is no clear definition of "failing" infrastructure. Please provide guidance as to how the Division will determine what is defined as "failing" infrastructure and what will be required for submittal to claim these points.

- Response: Application guidance documents will define “failing” infrastructure and describe what will be the required documentation to receive these priority points. **No change from Draft PRS.**
- Comment: Line Item 1.C states “Project will rehabilitate or replace infrastructure including by a regionalization project.” The line item is unclear. Provide additional information as to why entities are given additional prioritization instead of increased funding similar to the previous ARPA Plan. Please provide additional detail as to why the “including by a regionalization project” would be added if the project type is rehabilitation or replacement making the project eligible if regionalization is or is not a part of the project.
- Response: The additional language is intended to clarify that projects that remove infrastructure in need of rehabilitation or replacement as part of a regionalization process are eligible for these priority points, in addition to projects that do not include a regionalization process. Application guidance documents will describe what will be the required documentation to receive these priority points. **No change from Draft PRS.**
- Comment: Line Item 1.C.1 states “Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old OR lead service lines.” What percentage of the project construction costs must be associated with lead service line replacement to claim these points?
- Response: Costs associated with lead service line replacement will be eligible to count towards the 50 percent cost threshold to address old infrastructure without any additional documentation of the age of the lead service lines. **No change from Draft PRS.**
- Comment: Line Item 1.C.1 provides additional points for projects that earn priority under Line Item 1.C when the infrastructure being replaced or rehabilitated is older than certain threshold values. Lead service line replacement is not a natural match for Line Item 1.C.1. Consider making it a separate Line Item 1.C.2.
- Response: The use of lead service lines is more likely to be found in older cities and homes built before 1986. Therefore, they are deemed as old infrastructure and eligible for these priority points. No additional documentation of the age of the lead service lines will be required. **No change from Draft PRS.**
- Comment: Should lead service line inventory and replacement be a separate line item?
- Response: The placement of lead service lines within line item 1.C.1 achieves the purpose of prioritizing funding for lead service line replacements, equivalent to prioritization of replacing old infrastructure. A separate IUP will be developed for the dedicated BIL Lead Service Line Replacement funding that is beyond the scope of this IUP and priority rating system. **No change from Draft PRS.**
- Comment: Page C-1, will the Division consider adding an age threshold for computer-based system components such as SCADA so that these elements can receive age project purpose points?
- Response: Application guidance document provides an age threshold for computer-based elements to qualify for line item 1.C.1 points (more than 20 years old). **No change from Draft PRS.**

Comment: Line item 1.E, Project will provide service to disadvantaged areas, what is the threshold to claim these points? Will over 50% of construction cost of the project be used to determine eligibility for this line item?

Response: Eligibility requirements for these prioritization points will include:

- At least 75 percent of the total funding requested (project cost) is to provide new service to existing residences in disadvantaged areas.
- Project must include providing connection to the existing residence (e.g., house connection).
- Projects receiving grant or principal forgiveness must cover any connection fees or system development fees for providing new service connections.

No change from Draft PRS.

Comment: Suggest increasing line item 1.E, project will provide service to disadvantaged areas, to the full 25 points. This will further incentivize the equitable distribution of funds.

Response: The proposed priority points are a direct result of discussions and recommendations from the State Water Infrastructure Authority (SWIA) to establish priority for the different project purposes. The Authority considers consolidation of a nonviable system as the highest priority. **The suggestion to adjust points will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**

Comment: Category 2 – Project Benefits: The draft Drinking Water Priority Rating System added “...resolves managerial, technical & financial issues” to line item 2.B.1, which addresses failed or failing drinking water wells or sources. Wouldn’t this same thing be applicable to failing or failed wastewater systems? And if it is added, would it only be applicable to distressed or at-risk entities?

Response: The consideration for drinking water projects that resolve managerial, technical and financial issues is only applicable to projects that received priority points for line item 1.A - Consolidate a Nonviable Public Water Supply System or Wastewater Utility. Line items under 2.B only apply to drinking water projects. For wastewater projects, line items under 2.C provide priority points for similar types of projects and was intended to include prioritization as suggested in the comment. **The Priority Rating System for wastewater projects (line item 2.C.1) is updated to read: Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical & financial issues.** Line items 2.B and 2.C can be claimed by any applicant, not only those designated as distressed or categorized as at-risk.

Comment: Line item 2.B.2, eliminate lead service lines, we believe a higher point award is warranted, perhaps 20. In its implementation memo for the state revolving fund provisions of the IIJA, the EPA identified making “rapid progress on lead service line replacement” one of its key priorities. A project that makes progress toward this goal should receive a much more substantial proportion of the Project Benefit maximum points.

- Response: The proposed priority points are a direct result of discussions and recommendations from the State Water Infrastructure Authority (SWIA) to establish priority for the different project purposes. The IUP and PRS are for projects that may be funded out of the base DWSRF or the BIL General Supplemental DWSRF. Dedicated funding for Lead Service Line identification and replacement will soon be provided, which will further prioritize these types of projects beyond the scope of this IUP and PRS. **The suggestion to adjust points will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**
- Comment: Line Items 2.C.1 and 2.C.2 provide priority points if the project eliminates failed or malfunctioning onsite wastewater systems. The Division has not defined malfunctioning. Please provide a definition and what will be required for submittal to claim these points.
- Response: To be eligible for these points, the applicants must provide copies of the notice of violation documenting that the system is malfunctioning per 15A NACA 18A .1961. Application guidance documents will define “malfunctioning” infrastructure and describe what will be the required documentation to receive these priority points. **No change from Draft PRS.**
- Comment: Line Items under the 2.C Project provides a specific environmental benefit appear to only apply for onsite wastewater systems. Please provide information on how the Division will define “onsite wastewater system”. Will repairing or replacing sewer lines responsible for reported sanitary sewer overflows or repairing or replacing equipment to resolve an upset, spill or bypass at treatment works earn points for this line item, as in previous funding rounds? Will resolving managerial, technical, and financial issues earn points for this line item, as in previous funding rounds?
- Response: It was not the intention to remove prioritization for projects rehabilitating or replacing certain sewer lines or projects addressing managerial, technical, and financial issues. **The PRS for wastewater projects line item 2.C.1 is updated to read: Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical and financial issues.**
- Comment: Line item 2.F.1, what is the Division’s definition of merger?
- Response: G.S. 159G defines merger as: *“The consolidation of two or more water and/or sewer systems into one system with common ownership, management, and operation.”* **No change from Draft PRS.**
- Comment: Line item 2.F.2, what is the Division’s definition of regionalization?
- Response: G.S. 159G defines regionalization as: *“The physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.”* **No change from Draft PRS.**
- Comment: Line Item 2.F.2 states “Project includes system regionalization.” Please clarify that an applicant can claim points for this line item to complete a project as a result of previous regionalization efforts. These points were previously removed from the priority rating

system due to documentation and evaluation issues when evaluating previously regionalized systems when claiming these points. Is it the Division's intent to penalize systems that have previously completed regionalization work?

Response: The intent is to incentivize new and additional regionalization efforts. Application guidance document will provide information on what documentation is needed to claim these points. **No change from Draft PRS.**

Comment: Line Item 2.H.3 states "Project addresses an emerging compound without a MCL." The row above this line items states "2.G-2.H Reserved for other programs." It appears Line Item 2.H is now eligible to receive priority points in the CWSRF program. Please revise the priority rating system to show Line Item 2.H is included in the CWSRF program.

Response: Line item 2.H.3 is eligible under the revised wastewater priority rating system. **The wastewater priority rating system is updated to indicate line items 2.G-2.H.2 are reserved for other programs.**

Comment: Line Item 2.H.3 states "Project addresses an emerging compound without a MCL." Please confirm what percentage of the project must address an emerging compound without a MCL to claim these points.

Response: Project benefit points may be awarded if any portion of a proposed project meets the documentation requirements as established in the application guidance document. **No change from Draft PRS.**

Comment: Line Item 2.H.3 has been revised to state "Project addresses an emerging compound without a MCL." Please confirm that to obtain these points there only has to be an emerging compound present and no level will be defined.

Response: Application guidance document will establish thresholds as needed to qualify for line item 2.H.3 points. The change in the language for line item 2.H.3 allows the Division to adapt more quickly to changing regulatory and health-based concentration thresholds. **No change from Draft PRS.**

Comment: Line item 2.H.3, addressing an emerging compound without a maximum contaminant level (MCL), should be awarded more points, perhaps 20. Many emerging compounds will be without an MCL for some time but still pose a threat to water resources and human health. Therefore, projects addressing this issue should receive a substantial portion of the 35 total points available for the Project Benefits section.

Response: The proposed priority points are a direct result of discussions and recommendations from the State Water Infrastructure Authority (SWIA) to establish priority for the different project purposes. The IUP and PRS are for projects that may be funded out of the base SRFs or the BIL General Supplemental SRFs. Dedicated funding for projects addressing emerging contaminants will soon be provided, which will further prioritize these types of projects beyond the scope of this IUP and PRS. It is not the recommendation of staff to prioritize projects addressing an emerging contaminant without an MCL above projects that address MCL violations in a PRS that is used for both sets of projects. MCLs are established to determine the levels of regulated contaminants that might cause health effects and years of formal rulemaking to establish that control of the regulated contaminant is a cost-effective public health measure. Exceeding an MCL means the water is not "safe" as defined under the Safe

Drinking Water Act. Prioritization for projects addressing emerging contaminants that will be funded from the dedicated funding for emerging contaminants will be developed and communicated at a later date. **The suggestion to adjust points will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**

Comment: Line Item 2.H.3 "Project addresses an emerging compound without an MCL". The draft proposes to prioritize the mere detected presence of an emerging compound the same as the exceedance of a maximum contaminant level (MCL). MCLs are established after rigorous studies to determine the levels of regulated contaminants that might cause health effects (with an adequate margin of safety), and years of formal rulemaking to establish that control of the regulated contaminant is a cost-effective public health measure.

In contrast, being an "emerging contaminant" means that a compound is suspected of causing health effects at some level - a level that may be much higher than the detection limit. Detecting an emerging contaminant means that the emerging contaminant is present. It reflects detection technology more than a health effect.

Exceeding an MCL means the water is not "safe" as defined under the Safe Drinking Water Act. Detecting an emerging contaminant is similar to detecting a regulated compound a level below the MCL. These are different levels of potential threat to health and deserve different priority.

Response: Removal of "above a health advisory level" as an explicit requirement from line item 2.H.3 in the drinking water priority rating system allows the Division to adapt more quickly to changing regulatory and health-based concentration thresholds that can be updated in the application guidance document between funding rounds. The application guidance document will still establish thresholds needed to qualify for line item 2.H.3 points, including, for instance, exceedance above newly-established Health Advisory Levels. The comment suggests different levels of prioritization for projects addressing emerging contaminants above detection levels versus above higher levels that may indicate potential health effects. The application guidance document will address this by establishing thresholds for line item 2.H.3. **No change from Draft PRS.**

Comment: Line Item 2.H.3 has been revised to state "Project addresses an emerging compound without a MCL." Please confirm that to obtain these points there only has to be an emerging compound present and no level will be defined. Also, Page 2 mentions "emerging contaminants." Is the Division using the terms emerging compound, emerging contaminant, and emerging pollutant (from DWSRF) synonymously? Please confirm if different definitions for pollutants, contaminants, and compounds will be used. EPA uses and defines the term "emerging contaminant" in the March 8th Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law Memorandum in Attachment 1, Appendices B and C.

Response: The application guidance document will still establish thresholds needed to qualify for line item 2.H.3 points, including, for instance, exceedance above newly-established Health Advisory Levels. The terms emerging compounds, emerging contaminants, and emerging pollutants were being used synonymously. **The IUP and PRS are now updated to use the term "emerging contaminant" consistently.**

- Comment: The Division should provide additional prioritization to address contaminants exceeding the updated health advisory levels (HAL) released by EPA on 6/15/22. Addressing contaminants (i.e., PFAS, PFOA, PFOS, PFBS, HFPO, GenX, etc.) exceeding the updated HAL will present unprecedented challenges to utilities and have overwhelming financial and public health impacts.
- Response: The application guidance document will establish thresholds needed to qualify for line items 2.H.3 points for different emerging contaminants, including potentially the newly-established Health Advisory Levels. **No change from Draft PRS.**
- Comment: Line item 2.N, resiliency and critical system functions, applicants should be allowed to receive cumulative points if they satisfy more than one of these criteria. While some of these line items overlap, others are unrelated. For instance, applicants could be incentivized to only consider cybersecurity measures instead of the location within the floodplain because they will only receive one set of points under this line item. In our work to ensure resilience is factored into all applications, we believe this small change could provide significant benefits.
- Response: Project benefit points for resiliency may be awarded if any portion of a proposed project meets the documentation requirements. Allowing cumulative points for these line items would provide a significant advantage to projects whose primary purpose was not to provide resiliency. **The suggestion to make the 2.N points cumulative will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS.**
- Comment: Line Item 2.P has been revised and states “Project directly benefits waters classified as HQW, ORW, Tr, SA, UWL, PNA, AFNA, SAV, WS-I, WS-II, WS-III or WS-IV”. Per NCDWR, PNA, SA, WS-I, and WS-II and other functional nursery areas designated by Marine Fisheries Commission, or the Wildlife Resources Commission are defined in the HQW definition. There is redundancy in the line item and lack of clarity as some of the new additions are already included in the definition of HQW. Also, it appears that not all of the items listed in the line item are water classifications and some could be considered habitat types (i.e., SAV is defined as a coastal habitat). Please clarify.
- Response: The Division recognizes that the listing of eligible classifications is confusing and may not give the Division flexibility to assure that projects benefiting targeted surface water classifications receive additional prioritization. **Line Item 2.P is updated to read: Project directly benefits specific classified waters.** Details on which surface water classifications are eligible for consideration will be included in the application guidance document.
- Comment: In Section 4 – Affordability, Line Items 4.C.1 – 4.C.3 gain points with LGU indicators being worse than the state benchmark in increments of 1. Sometimes individual indicators do not clearly show the nature of the local government unit and could be skewed. Please clarify why the threshold should incrementally increase by 1, when the accuracy could be distorted in one indicator.
- Response: Line items 4.C.1 – 4.C.3 provide incrementally higher prioritization to applicants that exhibit increased levels of hardship as measured by the local government unit indicators, as per the intention of the State Water Infrastructure Authority. The application guidance document provides instructions on how an applicant can provide alternative data for percent population changes, property valuation per capita, or

calculating a weighted average of indicators when service is provided to multiple local government units. The Division remains open to other examples of where alternative data may be more representative of an applicant’s reality, based on the five local government unit indicators. **No change from Draft PRS.**

Comment: Line item 4.D, Project benefits disadvantaged areas, what is the threshold to claim these points? Will over 50% of construction cost of the project be used to determine eligibility for this line item?

Response: Applicants must document that at least 50 percent of the total construction cost directly supports a disadvantaged area to be eligible for these priority points. Details will be provided in the application guidance document. **No change from Draft PRS.**

Comment: Line Item 4.D states “Project benefits disadvantaged areas.” Please provide a definition for benefit. If the Division is measuring a “project benefit,” it appears this line item should be moved and evaluated in Category 2 – Project Benefit. What percentage of the project must “benefit” disadvantaged areas in order to claim the points for this line item?

Response: Line item 4.D provides an opportunity for applicants not meeting the affordability criteria (assessed at the local government unit level) to receive prioritization for projects that benefit disadvantaged areas within their service area. The application guidance document will provide details for these priority points. The application must document that at least 50 percent of the total construction cost directly supports a disadvantaged area to be eligible for these priority points. **No change from Draft PRS.**

Comment: We believe line item 4.D, project benefits disadvantaged areas, should be increased to a maximum award of 15 points so that a commitment to prioritizing equitable funding is reflected in the Affordability section of the scoring system.

Response: The Division supports continued prioritization for projects in communities most in need of funding and additional subsidy from an affordability perspective. Specifically, prioritization is provided considering community size, current rates, and five local government unit indicator metrics. Line item 4.D. newly adds an opportunity for applicants not meeting the affordability criteria to receive prioritization for projects that benefit disadvantaged areas within their service area. This is the first time that line item 4.D is included and is given the same points as an applicant that has four out of five local government unit indicators exceeding the state benchmark. The Division will continue to evaluate the priority rating system and its effect on providing funds to applicants and communities most in need for funding over time and will make recommendations to adjust the priority rating system in later funding rounds as needed. **The suggestion to adjust points will be shared with the Authority for their consideration. Staff does not recommend a change to the Draft PRS at this time.**

Comment: How will Line Item 4.D aid in evaluating a level of principal forgiveness?

Response: Principal forgiveness is described in Section 5.3.2 of the IUP. **No change from Draft PRS.**

Proposed Changes to the Draft Priority Rating Systems

Line Item 2.C.1 (Wastewater only)

Add “Project replaces or repairs certain sewer lines” and “or resolves managerial, technical and financial issues” to “eliminates failed onsite wastewater system”. This clarification indicates that the project benefits that are already considered part of line item 2.C in the past are still eligible for the priority points under new line item 2.C.1.

Line Item 2.H.3

Replace the term “emerging compound” with “emerging contaminant”.

Line Item 2.P (Wastewater only)

Replace “Project directly benefits waters classified as HQW, ORW, Tr, SA, UWL, PNA, AFNA, SAV, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)” with “Project directly benefits specific classified waters”. Details on the classified waters and habitats will instead be provided in the application guidance document.

Correction to Wastewater Priority Rating System

Indicate that “2.G – 2.H.2” are reserved for other programs, instead of “2.G – 2.H”, since 2.H.3 is a line item in the wastewater priority rating system.

Changes to Points

Public comments suggested changes to the points for 1.E, 2.B.2 (drinking water), 2.H.3, 2.N, and 4.D. Public comments are included in this staff report. Staff does not recommend changes to the points.

Staff Recommendation

- Division staff recommend that the Authority approve the Priority Rating System for Wastewater Projects and Priority Rating System for Drinking Water Projects as shown in the attachment.

2022 PRIORITY RATING SYSTEM for Drinking Water Projects

Instructions: For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed <u>failed or failing</u> infrastructure issues		25 <u>22</u>
1.C	Project will rehabilitate or replace infrastructure, <u>including replacement by regionalization projects</u>		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old OR <u>lead service lines</u>		8
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E	<u>Project will provide service to disadvantaged areas</u>		<u>20</u>
1.F <u>1.I</u>	Reserved for other programs		
Maximum points for Category 1 – Project Purpose			25
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Reserved for other programs		
2.B	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		20
<u>2.B.1</u>	<u>Project addresses dry wells or contamination of a drinking water source; or resolves managerial, technical & financial issues</u>		<u>20</u>
<u>2.B.2</u>	<u>Projects that eliminate lead service lines</u>		<u>10</u>
2.C	Reserved for other programs		

2022 PRIORITY RATING SYSTEM for Drinking Water Projects			
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger or regionalization		
2.F.1	Project includes system merger OR		10
2.F.2	Project includes system regionalization		5
2.G	Project addresses documented low pressure		10
2.H	Project addresses contamination		
2.H.1	Project addresses acute contamination of a water supply source OR		15
2.H.2	Project addresses contamination of a water supply source other than acute OR		10
2.H.3	Project addresses an emerging compound contaminant without an MCL but above a health advisory level		7 10
2.I	Project improves treated water quality by adding or upgrading a unit process		3
2.J	Water loss in system to be rehabilitated or replaced is 30% or greater		3
2.K	Project provides a public water system interconnection		
2.K.1	Project creates a new interconnection between systems not previously interconnected OR		10
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR		10
2.K.3	Project creates any other type of interconnection between systems		5
2.L – 2.M	Reserved for other programs		
2.N	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR		5

2022 PRIORITY RATING SYSTEM for Drinking Water Projects			
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, OR		4
2.N.5	Project improves ability to assure continued operation during flood events OR		4
2.N.6	Project downsizes infrastructure related to buyouts OR		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including <u>cybersecurity and/or</u> backup electrical power source		3
2.O – 2.S	Reserved for other programs		
Maximum points for Category 2 – Project Benefits			35
Subtotal claimed for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
3.D	Applicant has implemented a water loss reduction program		5
3.E	Applicant has implemented a water conservation incentive rate structure		3
Maximum points for Category 3 – System Management			15
Subtotal claimed for Category 3 – System Management			
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8

2022 PRIORITY RATING SYSTEM for Drinking Water Projects			
4.B	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 OR		4
4.B.2	Greater than \$90 OR		6
4.B.3	Greater than \$107 OR		8
4.B.4	Greater than \$129		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<u>4.D</u>	<u>Project benefits disadvantaged areas</u>		<u>5</u>
4.D 4.E 4.G	Reserved for other programs		
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			

2022 PRIORITY RATING SYSTEM for Wastewater Projects

Instructions: For each line item, mark “X” to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.

Line Item #	Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed <u>failed or failing</u> infrastructure issues		15 <u>20</u>
1.C	Project will rehabilitate or replace infrastructure, <u>including replacement by a regionalization project</u>		15 <u>12</u>
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, or tanks to be rehabilitated or replaced are greater than 40 years old		10 <u>8</u>
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10 <u>8</u>
1.E	<u>Project will provide service to disadvantaged areas</u>		<u>20</u>
1.F	Reserved for other programs		
1.G	Project will provide stream/wetland/buffer restoration		15 <u>10</u>
1.G.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration <u>SCMs</u>		5
1.G.2	Restoration project that includes restoration and/or protection of riparian buffers to at least 30 feet on both sides of the stream		5
1.H	Project will provide <u>SCMs</u> to treat existing sources of pollution		20 <u>10</u>

2022 PRIORITY RATING SYSTEM for Wastewater Projects			
<u>1.H.1</u>	Project that includes <u>SCMs</u> in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
<u>1.I</u>	Project will provide reclaimed water/usage or rainwater harvesting/usage		15 10
Maximum points for Category 1 – Project Purpose			25
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.B	Reserved for other programs		
2.C	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks Project provides a specific environmental benefit		
<u>2.C.1</u>	<u>Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical & financial issues</u>		15
<u>2.C.2</u>	<u>Project eliminates malfunctioning onsite wastewater systems</u>		<u>10</u>
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger <u>or regionalization</u>		
2.F.1	Project includes system merger OR		10
2.F.2	<u>Project includes system regionalization</u>		<u>5</u>
2.G – 2.H.2	Reserved for other programs		

2022 PRIORITY RATING SYSTEM for Wastewater Projects			
2.H.3	<u>Project addresses an emerging contaminant without an MCL</u>		<u>10</u>
2.I	Project improves treated water quality by adding or upgrading a unit process		3
2.J – 2.M	Reserved for other programs		
2.N	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside 100-year floodplain to outside 500-year floodplain OR		8
2.N.2	Project relocates infrastructure out of a 100-year floodplain OR		5
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside the 500-year floodplain OR		3
2.N.4	Project fortifies or elevates infrastructure within floodplain OR		4
2.N.5	Project improves ability to assure continued operation during flood events OR		4
2.N.6	Project reduces the size of infrastructure as a result of a buyout or other abrupt loss of population OR		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including <u>cybersecurity and/or</u> backup electrical power source.		3
2.O	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
2.P	Project <u>directly benefits</u> <u>specific classified waters</u> <u>waters classified as HQW, ORW, Tr, SA, UWL, PNA, AFNA, SAV, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify).</u>		10
2.Q	Project will result in elimination of an NPDES discharge		3
2.R	Primary purpose of the project is to achieve at least 20% reduction in energy use		5

2022 PRIORITY RATING SYSTEM for Wastewater Projects			
2.S	Reserved for other programs		
Maximum points for Category 2 – Project Benefits			35
Subtotal claimed for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10 years and proposed project is included in the plan		2
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C – 3.E	Reserved for other programs		
Maximum points for Category 3 – System Management			15
Subtotal claimed for Category 3 – System Management			
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 OR		4
4.B.2	Greater than \$90 OR		6

2022 PRIORITY RATING SYSTEM for Wastewater Projects			
4.B.3	Greater than \$107 OR		8
4.B.4	Greater than \$129		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<u>4.D</u>	<u>Project benefits disadvantaged areas</u>		<u>5</u>
4.E – 4.G	Reserved for other programs		
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			