

**North Carolina
Bipartisan Infrastructure Law
Drinking Water State Revolving Fund
Emerging Contaminants Funds
Intended Use Plan
Fiscal Years 2022 and 2023**

Draft for Public Review

Division of Water Infrastructure

North Carolina Department of Environmental Quality

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1. Introduction

This Intended Use Plan (IUP) addresses the FY2022 and FY2023 Drinking Water State Revolving Fund Emerging Contaminants (DWSRF-EC) funding made available through the Bipartisan Infrastructure Law (BIL).

The Division of Water Infrastructure (Division) is part of the North Carolina Department of Environmental Quality (NCDEQ). The Division administers financial assistance programs to assist eligible public water supply systems in constructing projects that both benefit public health and improve the human environment. Eligible public water supply systems¹ are local government units (LGUs), non-profit water/wastewater utilities, and investor-owned drinking water companies. Most of the customers of public water supply systems are served by local government units across North Carolina.

In 2013 the North Carolina General Assembly created the State Water Infrastructure Authority (Authority) to determine projects eligible for certain water infrastructure funding programs, including the Drinking Water State Revolving Fund (DWSRF), consistent with federal law. The priorities reflected in this document have been approved by the Authority.

Specific to this document, the Division administers the DWSRF program as established by the 1996 Amendments to the Safe Drinking Water Act (SDWA), (P.L. 104-182), Section 1452. The DWSRF program offers loans to public water supply systems at interest rates lower than market rates for drinking water infrastructure. As a public water supply system repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments must go back into the DWSRF. The DWSRF-EC funds will, however, be offered entirely as principal forgiveness loans, meaning that the eligible recipients of these funds would not need to repay these loans. This Intended Use Plan explains how the FY2022 and the FY2023 Bipartisan Infrastructure Law DWSRF Emerging Contaminants capitalization grants will be used and how the DWSRF-EC will operate in accordance with Section 1452(b) of the SDWA.

The IUP is incorporated into the capitalization grant agreement and becomes the grant work plan. Combined, the operating agreement, grant agreement, IUP, SDWA, and state statutes set the program requirements for the BIL DWSRF-EC funds. The IUP identifies anticipated projects scheduled for funding commitments from the DWSRF-EC. It also explains how the BIL DWSRF-EC funds will utilize a priority rating system to identify those projects that will address the greatest need and/or provide the greatest positive public health impact on the water resources in North Carolina.

2. Financial History

Congress appropriated funds to the DWSRF in the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law (BIL). The BIL appropriated additional funds for five fiscal years (FY2022-FY2026) to address Emerging Contaminants (BIL DWSRF-EC Funds). The BIL also appropriated funds specifically to supplement the DWSRF funds and to address lead service line replacement; plans for which are described in separate IUPs. This IUP will

¹For brevity, "LGUs" in this IUP refers to eligible entities, including local government units, non-profit utilities, and investor-owned drinking water utilities.

discuss the workplan for the BIL DWSRF-EC funds for the Fiscal Years 2022 and 2023.

3. Programmatic Goals

Pursuant to the SDWA, the State must identify the goals and objectives of the state loan fund (i.e., the DWSRF). The State has the following goals for its DWSRF program:

3.1. Overall DWSRF Program Goal

Provide funding for drinking water infrastructure while advancing the NCDEQ's mission to provide science-based environmental stewardship for the health and prosperity of ALL North Carolinians and to advance the public health goals of Safe Drinking Water Act while targeting the systems with greatest needs.

3.2. Emerging Contaminants Funding Program Short-Term Goals

Goal #1: Inform LGUs of the availability of funds, benefits of the DWSRF-EC program, and funding process.

Goals #2: Work closely with public water systems to address contamination of drinking water with PFAS (per- and polyfluoroalkyl substances).

3.3. Long -Term Goals

Goal #1: Support North Carolina Department of Environmental Quality's Strategic Goal to strengthen North Carolina's infrastructure through thoughtful, strategic, and equitable investments in communities.

Goal #2: Support North Carolina Department of Environmental Quality's Strategic Goal to protect North Carolinians from exposures to emerging compounds using a transparent and science-based decision-making process, with special emphasis on reducing health risks associated with PFAS.

Goal #3: Support North Carolina Department of Environmental Quality's Strategic Objective to ensure funding processes include equitable access for underserved communities.

Goal #4: Support U.S. Environmental Protection Agency's Strategic Goal 5 of ensuring clean and safe water for all communities.

Goal #5: Integrate the funding process with other DWSRF funding processes and continue to streamline them to ensure the funds are used in an expeditious and timely manner in accordance with the SDWA and applicable State laws as required by Section 1452(g)(3)(A) of the SDWA.

Goal #6: Ensure the technical integrity of DWSRF projects through diligent and effective planning, design, and construction management.

Goal #7: Ensure the Priority Rating System reflects NCDEQ's and the Authority's goals.

Goal #8: Provide technical and financial assistance to public water supply systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.

4. Information on Activities to be Supported

North Carolina's DWSRF program will continue to be one of low-interest loans, supplemented with principal forgiveness as allowed by federal law. The DWSRF-EC funds will be entirely funded as principal forgiveness loans. The State intends to access 4% of the capitalization grants (\$928,040 for FY2022, and \$842,160 for FY2023) for the administrative costs associated with running the program. These activities include application preparations and outreach, application review, engineering report and environmental document review, design review, funding processing, construction inspection, and disbursement processing and accounting for funded projects.

In addition to funding water infrastructure projects, the SDWA also allows the use of capitalization grant funds for non-project purposes. The 1996 SDWA added significant new program responsibilities for states and provided for their funding through the set-asides from the DWSRF for non-project activities. Set-asides are uses of DWSRF money which are allowed by the SDWA to further the objectives of the Act, but are not construction related. These activities include the following:

- Program administration
- Technical assistance to small systems
- Administration of the Public Water Supply Supervision Program (State Program Management), and
- Local assistance and other state programs.

Non-project activities may be carried out directly by the Division, by the Public Water Supply (PWS) Section of the Division of Water Resources in the North Carolina Department of Environment Quality, and through contracts with other agencies and organizations. Please see Appendix A for more information about set-aside activities. The administrative set-aside is administered by the Division of Water Infrastructure. The Division reserves the right to use unused portions of set-asides at a later date.

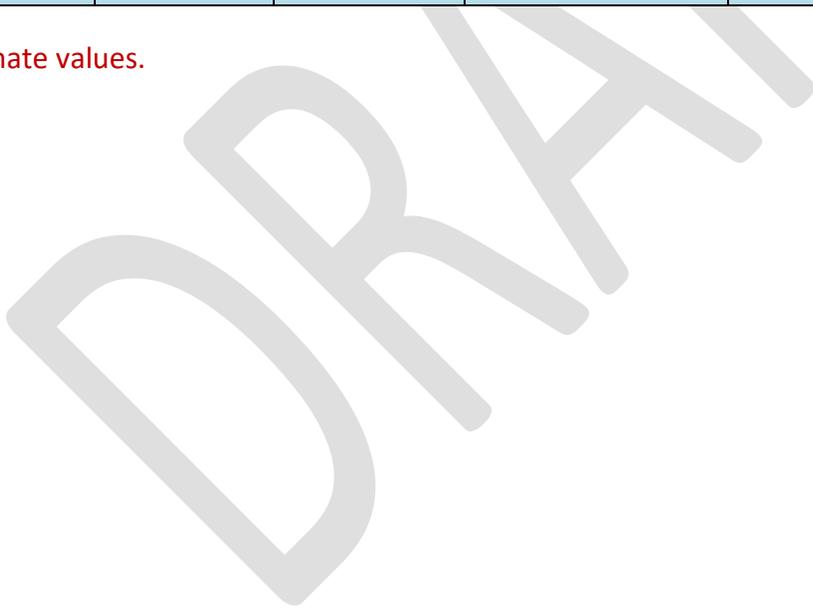
The Division reserves the authority to transfer BIL Emerging Contaminants funds between the DWSRF-EC and CWSRF-EC from these years' capitalization grants at a later date and apply it to a future year's capitalization grant.

The following table provides a summary of the projected funds available as a result of the Federal capitalization grant.

BIL DWSRF-Emerging Contaminants Funding Sources and Uses for the Life of the Program

Projected Sources and Uses for FY2023		(From DWNIMS)							
Revenues						Expenditures			
FY	Federal Cap	State Match	Repayments Principal	Repayments Interest	Interest Earned	Project Disbursements	Set Asides	Net For FY	Cumulative Net
2022	\$23,201,000	\$0	N/A	N/A	N/A		\$928,040		
2023	\$21,054,000	\$0	N/A	N/A	N/A		\$842,160		
Totals	\$44,255,000	\$0	\$0	\$0	\$0		\$1,770,200	\$42,484,800	
Projected Uses beyond FY2023				(Based on Availability Model)					
						\$42,484,800		\$0	

Values in RED as approximate values.



5. Criteria and Methods for Distributing Funds

5.1. Eligible Projects

For FY2022 and FY2023 DWSRF-EC capitalization grants, eligible projects must address any perfluoroalkyl and polyfluoroalkyl substances (PFAS) contaminants.

Priority will be given to eligible projects that address PFOA and PFOS exceeding proposed Maximum Contaminant Levels (MCLs) or address a combination of GenX, PFBS, PFNA and PFHxS exceeding Hazard Index of 1.0.

Examples of eligible construction projects may include:

- Construction of a new treatment facility or upgrade to an existing treatment facility.
- Development of a new water supply source (i.e., new/replacement well or intake for a public water system).
- Consolidation with another water system that does not have emerging contaminants present or has removal capability.
- Creation of a new community water system or extension of a distribution system of a public water system to address unsafe drinking water provided by individual (i.e., privately-owned) wells or surface water sources by providing water that meets proposed standards.

Bottled water or point-of-use devices are not eligible expenses per federal program rules.

5.2. Project List and Prioritization

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received as a part of future funding cycles (see 5.3. below). Applications that are received in one funding cycle and are not selected for funding will be reconsidered in one more cycle (the next one) for funding.

Projects eligible for DWSRF-EC funds will be prioritized using a Priority Rating System consisting of elements of the Priority Rating System as approved by the State Water Infrastructure Authority for the base and BIL DWSRF General Supplemental funds. The State Water Infrastructure Authority approved the same, full Priority Rating System for public review for the DWSRF-EC funding. In addition, the Division is seeking public comments on an alternative where only specific line items of the Priority Rating System that are relevant to Emerging Contaminants are considered in scoring and prioritizing the applications that are eligible for DWSRF-EC funds, thus narrowing the prioritization to PFAS-related characteristics of the project and applicant. See Appendix D for the proposed full Priority Rating System and the alternative option of an Emerging Contaminants-specific Priority Rating System. Public comments will be shared with the State Water Infrastructure Authority to make a final decision on the Priority Rating System that will be used to prioritize DWSRF-EC funding.

The Priority Rating System considers four elements of a project: (1) project purpose, (2) project benefit, (3) system management, and (4) affordability.

For project purpose, the Priority Rating System places higher priority on construction projects over evaluation and assessment projects, and on projects with greater proportions of costs dedicated to addressing PFAS contamination. The full Priority Rating System provides points for other project purposes by which projects that are not DWSRF-EC eligible may be scored. Only one project purpose may be claimed per application.

In terms of project benefits, priority is given to addressing source water or emerging contaminants issues, especially PFAS that exceed proposed MCLs and the Hazard Index. Additional prioritization is provided to regionalization projects to incentivize regional approaches to addressing PFAS. The full Priority Rating System provides points for other project benefits by which projects that are not DWSRF-EC eligible may be scored.

In addition to addressing public health issues, the Priority Rating System supports those public water supply systems that seek to be proactive in their system management, including prioritization points for asset management plans and appropriate operating ratios.

The Priority Rating System also takes into account the ability of the applicant to afford projects. For example, those applicants who have a high poverty rate, high utility bills, lower population growth, lower median household incomes, and higher unemployment receive higher priority. Projects that primarily benefit disadvantaged areas also receive priority points.

Items in the Priority Rating System relating specifically to emerging contaminants include:

- Project purpose:
 - Projects where 100% of the project costs are to address PFAS contamination.
 - Projects where at least 75% of the project's costs are to address PFAS contamination.
 - Projects evaluating alternatives to address emerging contaminants (may include pilot scale treatment study)
- Project benefits:
 - Projects removing any PFAS compounds drinking water to below 10 ppt.
 - Projects resulting in waters meeting EPA's proposed MCLs for PFOA and PFOS
 - Projects resulting in waters meeting EPA's proposed Hazard Index for PFBS, PFNA, GenX and PFHxS.

5.3. Application and Project Deadlines

The DWSRF program operates on a priority basis and accepts funding applications semi-annually. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g. Emerging Contaminant

Reserve, as described herein). Funding availability is determined based on the capitalization grants. Results will be posted on the Division's website.

Project funding for construction projects is contingent on adherence to the schedule below in accordance with §159G-41 (times listed are measured from Letter of Intent to Fund except as noted otherwise):

- 5.3.1. Funding application and supporting information must be received by the application deadline to be considered for any given funding cycle.
- 5.3.2. After the Authority provides final project rank eligibilities, the DWSRF program will issue Letters of Intent to Fund (LOIF) based on the projects' prioritization and the amount of funds being made available in the cycle.
- 5.3.3. Within four months of the issuance of the LOIF, a complete Engineering Report / Environmental Information Document must be submitted to the DWSRF program.
- 5.3.4. Within nine months, the Engineering Report / Environmental Information Document must be approved.
- 5.3.5. Within 15 months, complete plans and specifications must be submitted with copies of all required permits, encroachments, etc., or evidence that applications for remaining required permits have been submitted to the respective permitting agency. Complete Operations and Maintenance (O&M) Plan must be submitted.
- 5.3.6. Within 19 months, the plans/specifications and all required permits must be approved/issued.
- 5.3.7. Within 23 months, the following events/items must be completed/received:
 - 5.3.7.1. Advertisement of the project for bids
 - 5.3.7.2. Receipt of bids
 - 5.3.7.3. Submission of bid information to DWSRF staff
 - 5.3.7.4. Obtainment of the Division's Authority to Award Construction Contracts.
- 5.3.8. Within 24 months, construction contracts must be executed.

The milestones in the timeline above are absolute for all projects in a particular cycle and will not be extended except based upon a demonstrated need for extension by the public water system. Projects may be able to meet these milestones ahead of schedule. However, in the event that any milestone noted above is not met, work by the DWSRF staff may be suspended and all documents returned to the Applicant until the proposed project is resubmitted for consideration during a future cycle.

If an Applicant desires DWSRF funding and the Applicant's project requires an Environmental Impact Statement (EIS), Division staff will manage the environmental review process. However, a funding application for the project will not be accepted in any funding cycle until a draft EIS has been sent to the State Clearinghouse (SCH). In the event that a fundable project is in process and the environmental review completed within the timeline results in the conclusion that an EIS is required, then the milestone deadlines for the project will be suspended until a draft EIS has been sent to the SCH. After the draft EIS is sent to the SCH, the project must adhere to the same time frames specified above.

5.4. Detailed Project Funding Criteria

5.4.1. General

- 5.4.1.1. To be eligible for DWSRF-EC funding, a project must be on the Intended Use Plan Project List.
- 5.4.1.2. Funding can be provided for any eligible projects (that address PFAS) as provided for in the Safe Drinking Water Act and NCGS 159G, including water treatment facilities, distribution systems, tanks, etc. that improve drinking water quality. DWSRF-EC funding can be provided for any SRF-eligible project addressing PFAS contamination as demonstrated by successfully claiming Priority Rating System line items 1.J.1, 1.J.2, 1.J.3, 2.H.3, 2.H.4, and/or 2.H.5.
- 5.4.1.3. At least 50% of the DWSRF-EC funds available for projects will be reserved for projects to evaluate alternatives to address PFAS (i.e. pilot scale treatment studies, assessments and evaluations, etc.). Projects that qualify for line item 1.J.3 qualify for these project funds. If there are not enough eligible applications for evaluation projects to award at least 50% of the project funding by the second application round (anticipated Spring 2024 applications), the remainder of this reserve will be made available to other DWSRF-EC eligible projects in priority order.
- 5.4.1.4. At least 25% of DWSRF-EC funds will be provided to disadvantaged communities (as defined by the state under SDWA 1452(d)).
- 5.4.1.5. Funding will be provided in priority order based on project score, Authority determination, and the amount of funds made available. Projects cannot be substantively changed once funding is allocated.
- 5.4.1.6. DWSRF-EC funds will be offered as 100% principal forgiveness.
- 5.4.1.7. The maximum DWSRF-EC funding amount will be established at \$5,000,000 per applicant for each funding round. This can be increased if funds are available at an increment of \$500,000 per project (up to total

funding requested), in priority order, until available funding in the funding round is exhausted.

5.4.2. Principal Forgiveness

DWSRF-EC funding will be provided with 100% principal forgiveness for the entire FY2022 and FY2023 capitalization grants, less the amounts used for set-asides and administrative costs. Total amounts available for principal forgiveness is estimated to be \$22,272,960 for FY2022 and \$20,211,840 for FY2023.

5.4.3. Disadvantaged Communities and Small System Reserve

5.4.3.1. A minimum of 25% of the DWSRF-EC funds, less the amounts used for set-asides and administrative costs, (\$5,568,240 for FY2022 and \$5,052,960 for FY2023) will be awarded to disadvantaged communities as defined by the state under SDWA 1452(d) or to public water systems serving fewer than 25,000 people.

5.4.3.2. Funding may bypass a higher priority project to satisfy the Disadvantaged Communities and Small System Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List.

5.4.4. Capacity Development Reviews

5.4.4.1. All public water supply systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity [per NCAC 15A 18C .0307(c)] to operate the water system in compliance with the SDWA. A regulatory process was developed and has been approved by EPA as adequate to ensure technical, financial, and managerial capacity is demonstrated. This is measured by the issuance of an Authorization to Construct for the process occurring after capacity development criteria are reviewed and satisfied. A water system that lacks adequate capacity in one or more of these categories might remain eligible for funding if a strategy that would resolve the problem or issue can be developed and attached as a condition of the loan approval.

5.4.5. Miscellaneous Criteria/Provisions:

5.4.5.1. Davis-Bacon prevailing wage rates apply to loans as required by funding agreements/conditions.

5.4.5.2. American Iron and Steel provisions will apply to loans as required by Federal mandates.

5.4.5.3. Build America, Buy America requirements will apply to funds as required

by US EPA and by Federal mandates.

- 5.4.5.4. Brooks Act requirements will be applied to projects in a dollar amount equal to or exceeding the capitalization grant.
- 5.4.5.5. Funding conditions for projects with capital improvements will include the requirement to develop an Operations and Maintenance (O&M) Plan to plan for adequate long-term operations of the assets, including plans for covering the operating costs and technical capacity of staff to operate and maintain the assets.
- 5.4.5.6. Funding conditions will specify that project costs that are paid by an identified Responsible Party are not eligible for DWSRF-EC funds and will be refunded to the Department.
- 5.4.5.7. Approval of a repayable loan (not principal forgiveness) that may supplement a DWSRF-EC award is contingent on approval by the Local Government Commission (LGC).
- 5.4.5.8. A 2% fee is required. The fee cannot be financed by the DWSRF-EC fund.

6. Programmatic Conditions

6.1. Assurances and Specific Proposals

Pursuant to the SDWA, the State of North Carolina certifies that:

- 6.1.1. The State will enter into binding commitments for 100% of the amount of each payment received under the capitalization grant within one year after receipt of each payment.
- 6.1.2. The State will expend all funds in the DWSRF-EC in an expeditious and timely manner.
- 6.1.3. The State will conduct environmental reviews of treatment works projects according to procedures set forth in its Operating Agreement between the State and US Environmental Protection Agency.

6.2. Federal Requirements

- 6.2.1. The State will ensure that all federal requirements are met as noted in the DWSRF Operating Agreement between the State and US Environmental Protection Agency and the Grant Agreement, including Single Audit, Disadvantaged Business Enterprise compliance, federal environmental crosscutters, and Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

- 6.2.2. The State will enter all required reporting information into respective federal databases including FFATA, DWSRF National Information Management System (NIMS), and the DWSRF Benefits Reporting (CBR) system.
- 6.2.3. The State will ensure that all applicants to the DWSRF program certify that they meet the fiscal sustainability planning requirements. Such certifications will be received by the time of loan offer.

6.3. Transfer between DWSRF-EC and Clean Water State Revolving Fund-EC Funds

Transfer of funds between the DWSRF-EC and the BIL Clean Water State Revolving Fund Emerging Contaminants funding are authorized by federal statutes. This IUP does not propose any such transfer of funds. However, the Division reserves the ability to make transfers in managing cash flow and meeting project demands. If such transfer takes place, a subsequent transfer will be made by transferring that amount back from the receiving fund to the providing fund (i.e., no permanent transfers) as soon as possible.

7. Public Review and Comment

This section will be completed after the public review period is concluded. Public comments are sought for the draft IUP, including the draft Priority Rating Systems shown in Appendix D.

8. Budget and Project Periods

- 8.1. The budget and project periods being requested for the capitalization grants is shown in Appendix C and on EPA Form SF 424.
- 8.2. Loan fees (2% of loan) on loans from the grant will be deposited into separate account centers. Fees will be used to administer the program. In addition, fees considered non-program income will also be used for other water quality purposes within the Divisions of Water Resources and Water Infrastructure, including funding for positions.

Appendix A Set-Aside Activity Description

A. Program Administration

For Fiscal Years 2022 and 2023, up to 4% of the capitalization grants (up to \$928,040 for FY2022 and up to \$842,160 for FY2023) will be used for program administration.

Administration includes management of the program; financial management; development of yearly comprehensive project priority lists; engineering report and environmental document review; construction inspections for funded projects; data management; data analysis; reporting; and records keeping; public engagement; etc. These funds will also be used to procure all equipment and training necessary for the adequate performance of staff on related duties.

The Division does not intend to use additional set-asides from the DWSRF-EC capitalization grants. Funding for technical assistance to small systems, administration of the Public Water Supply Supervision Program, and local assistance and other state programs, as they pertain to emerging contaminants, can be covered by set-asides from the base DWSRF and BIL DWSRF General Supplemental capitalization grants, as described in a separate Intended Use Plan. The Division reserves the right to use unused portions of set-asides at a later date.

Appendix B

Draft - Intended Use Plan Project Priority List for BIL DWSRF-EC Funds

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received as a part of future funding cycles. All additional subsidy is provided as principal forgiveness. All principal forgiveness listed below are for LGUs that meet the state’s affordability criteria or disadvantaged communities as defined in this IUP.

Fall 2023 and Spring 2024 Application Rounds – TBD.

Spring 2023 Application Round – Current Demand for Drinking Water Projects addressing Emerging Contaminants (PFAS) – These are not funded projects. The Authority will make its selection in July 2023. List shown in Alphabetical Order.

Applicant Name	Project Name	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Funding	Priority Points	Estimated Binding Commitment
AQUA North Carolina, Inc.	AQUA Wyntree & Willow Hill Well Improvements Project	Wyntree (4092034) Willow Hill (0332119)		Wake, Durham	\$1,031,875		TBD	TBD	TBD
AQUA North Carolina, Inc.	AQUA Brookwood Wells PFOS/PFOA Removal Project	03-26-127		Cumberland	\$2,342,800		TBD	TBD	TBD
Carolina Water Service of North Carolina	Rutledge Landing North Well #3 Rehabilitation Project	NC4092085		Wake	\$495,980		TBD	TBD	TBD

Applicant Name	Project Name	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Funding	Priority Points	Estimated Binding Commitment
Cumberland County	Gray's Creek Water and Sewer District	NC50-26-026		Cumberland	\$7,637,000		TBD	TBD	TBD
Cumberland County	Cedar Creek Phase I	New System		Cumberland	\$18,473,000		TBD	TBD	TBD
Fayetteville Public Works Commission	PO Hoffer WTF Phase 3 Residuals	03-26-010		Cumberland	\$34,184,606		TBD	TBD	TBD
Neuse Regional Water and Sewer Authority	Per- and Polyfluoroalkyl Substances (PFAS) Treatment	NC6054001		Lenoir	\$30,680,000		TBD	TBD	TBD
Rocky Point Topsail Water and Sewer District	RO Water Treatment Plant and Associated Improvements			Pender	\$30,000,000		TBD	TBD	TBD
Total					\$124,845,261				

Fall 2022 Application Round – Demand for Drinking Water Projects addressing Emerging Contaminants (PFAS) – Not Funded Using Other Sources - **These are not funded projects. The Authority will make its selection in July 2023.**

Applicant Name	Project Name	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Funding	Priority Points	Estimated Binding Commitment
Autryville	Autryville Water System Rehabilitation	NC0382045	472	Sampson	\$10,880,330		TBD	58	
Cape Fear Public Utility Authority	Oakley Area Water Extension Project	NC0465010	180,516	New Hanover	\$3,623,821		TBD	50	
Cape Fear Public Utility Authority	Alandale Area Water Extension Project	NC0465010	180,516	New Hanover	\$1,289,109		TBD	40	
Total					\$15,793,260				

TOTALS

	FY2022 DWSRF-EC	FY2023 DWSRF-EC	Total Over Two Cap Grants
Total	TBD	TBD	Demand (\$140,638,521) exceeds availability
Availability (excl. set-asides)	\$22,272,960	\$20,211,840	\$42,484,800

Appendix C
2022 and 2023 BIL DWSRF-EC Proposed Payment Schedule
 (Dependent on timing of state match and award of federal grant)

<u>Payment Quarter</u>	<u>2022 EC Payment Amount</u>	<u>2023 EC Payment Amount</u>
April 1, 2023 – June 30, 2023		
July 1, 2023 - September 30, 2023		
October 1, 2023 - December 31, 2023	\$23,201,000	\$21,054,000
January 1, 2024 - March 31, 2024		
April 1, 2024 - June 30, 2024		
July 1, 2024 - September 30, 2024		
October 1, 2024 - December 31, 2024		
Total	\$23,201,000	\$21,054,000

Appendix D PRIORITY RATING SYSTEM

Projects eligible for DWSRF-EC funds will be prioritized using a Priority Rating System (PRS). In this public comment period, the Division is seeking comments on a proposal to use a PRS that only contains DWSRF-EC relevant line items to focus scoring of applications only on items that are relevant to PFAS projects (see first table below, titled “Proposed 2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects Only”) versus using the full Priority Rating System that applies to all drinking water projects (see second table below, titled “Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects”). Public comments will be shared with the State Water Infrastructure Authority to make a final decision on the Priority Rating System that will be used to prioritize DWSRF-EC funding.

Proposed 2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects Only			
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 <u>only one</u> Project Purpose)	Claimed Yes/No	Points
1.A – 1.E	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
1.F – 1.I	Reserved for other programs		
1.J.1	Main purpose of the project is to address Emerging Contaminants ² (construction projects) where 100% of the costs are associated with this purpose OR		20
1.J.2	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		15
1.J.3	Main purpose of the project is to evaluate alternatives to address Emerging Contaminants (may include pilot scale treatment study)		2 ³
Maximum points for Category 1 – Project Purpose			20

² For DWSRF-EC funding, “Emerging Contaminants” in line items 1.J.1, 1.J.2, and 1.J.3 are limited to what is eligible for DWSRF-EC funding (i.e. PFAS).

³ At least 50% of the funds will be reserved for evaluation and assessment projects (see 5.4.1.3). The Division is seeking comments on whether to propose increasing the points for line item 1.J.3 to 5 points.

Proposed 2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects Only			
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		
2.B.1	Project addresses PFAS contamination of a drinking water source ⁴ ; or resolves managerial, technical & financial issues		20
2.B.2	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.C	Reserved for other programs		
2.D – 2.F.1	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.F.2	Project includes system regionalization and/or system partnerships		5
2.G	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.H	Project addresses contamination ⁵		
2.H.1 – 2.H.2	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt OR		2 ⁶
2.H.4	Project addresses PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt OR		10

⁴ If a project addresses PFAS contamination in a public water system or in PFAS contaminated wells, the application can only earn line item 2.B.1 points if additional treatment, changing of the water source, or connecting residences with PFAS-contaminated wells to a public water system results in delivering water that meets the proposed MCLs and Hazard Index for PFAS. “Resolving managerial, technical & financial issues” in line item 2.B.1 would not apply for a DWSRF-EC specific Priority Rating System.

⁵ For line items 2.H.3, 2.H.4, and 2.H.5, levels must be determined using Methods 533, 537, 537.1, or an equivalent Method as determined by the Division of Water Resources. Only projects that document exceedances above the stated levels (10 ppt, 4 ppt, or Hazard Index 1.0) and will reduce the levels below those levels will qualify for line items 2.H.3, 2.H.4, or 2.H.5.

⁶ The Division is seeking comments on whether to propose increasing the points for line item 2.H.3 to 5 points.

Proposed 2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects Only			
2.H.5	Project addresses Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS		10
2.I – 2.K	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.L – 2.M	Reserved for other programs		
2.N	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
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 – 3.E	Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
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

Proposed 2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects Only			
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
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 OR		7
4.C.4	Project benefits disadvantaged areas		5
4.D – 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			

The full Priority Rating System for all drinking water projects that was approved by the State Water Infrastructure Authority for public review (including additional line items not included above) is as follows.

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects			
<p><u>Instructions:</u> 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.</p>			
Line Item #	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> 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 or failing infrastructure issues		22
1.C	Project will rehabilitate or replace infrastructure, including replacement by regionalization projects		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 lead service lines		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	Project will provide service to disadvantaged areas		20
1.F – 1.I	Reserved for other programs		

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects			
1.J.1	Main purpose of the project is to address Emerging Contaminants ⁷ (construction projects) where 100% of the costs are associated with this purpose OR		20
1.J.2	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		15
1.J.3	Main purpose of the project is to evaluate alternatives to address Emerging Contaminants (may include pilot scale treatment study)		2 ⁸
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		
2.B.1	Project addresses dry wells or contamination of a drinking water source ⁹ ; or resolves managerial, technical & financial issues		20
2.B.2	Projects that eliminate lead service lines		10
2.C	Reserved for other programs		
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		

⁷ For DWSRF-EC funding, “Emerging Contaminants” in line items 1.J.1, 1.J.2, and 1.J.3 are limited to what is eligible for DWSRF-EC funding (i.e. PFAS).

⁸ At least 50% of the DWSRF-EC funds will be reserved for evaluation and assessment projects (see 5.4.1.3). The Division is seeking comments on whether to propose increasing the points for line item 1.J.3 to 5 points.

⁹ If a project addresses PFAS contamination in a public water system or in PFAS contaminated wells, the application can only earn line item 2.B.1 points if additional treatment, changing of the water source, or connecting residences with PFAS-contaminated wells to a public water system results in delivering water that meets the proposed MCLs and Hazard Index for PFAS. “Resolving managerial, technical & financial issues” in line item 2.B.1 would not apply for a DWSRF-EC specific Priority Rating System.

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects			
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 and/or system partnerships		5
2.G	Project addresses documented low pressure		10
2.H	Project addresses contamination ¹⁰		
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 (this includes 1-4 Dioxane and Manganese) OR		10
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt OR		2 ¹¹
2.H.4	Project addresses PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt OR		10
2.H.5	Project addresses Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS		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

¹⁰ For line items 2.H.3, 2.H.4, and 2.H.5, levels must be determined using Methods 533, 537, 537.1, or an equivalent Method as determined by the Division of Water Resources. Only projects that document exceedances above the stated levels (10 ppt, 4 ppt, or Hazard Index 1.0) and will reduce the levels below those levels will qualify for line items 2.H.3, 2.H.4, or 2.H.5.

¹¹ The Division is seeking comments on whether to propose increasing the points for line item 2.H.3 to 5 points.

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects			
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
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 cybersecurity and/or backup electrical power source		3
2.O – 2.S	Reserved for other programs		

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water Projects			
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
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

Proposed 2023 PRIORITY RATING SYSTEM for All Drinking Water 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 OR		7
4.C.4	Project benefits disadvantaged areas		5
4.D – 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			

Appendix E Grant Percentage Matrix

Table 4. Proposed Step 4 (Affordability Matrix)				
Percentile Ranges for grant eligibility categories	Combined Monthly Bills¹ based on 2020 data (\$/5000 gallons)	% Grant or PF	Combined Monthly Bills + Project cost per customer per month² based on 2020 data (\$/5000 gallons)	% Grant or PF
> 99 Percentile	> \$148	100%	> \$148	100%
95 - 99 Percentile	\$129 - \$148	100%	\$129 - \$148	75%
85 - 95 Percentile	\$107 - \$129	75%	\$107 - \$129	50%
70 - 85 Percentile	\$90 - \$107	50%	\$90 - \$107	25%
50 - 70 Percentile	\$79 - \$90	25%	\$79 - \$90	0%
0 - 50 Percentile	\$0 - \$79	0%	\$0 - \$79	0%

¹ Single utility providers may divide by 0.4 for water or 0.6 for sewer applicant for calculating a combined monthly bill.

² Project cost per customer per month calculated assuming 0% interest financing for 20 years.