North Carolina
Drinking Water State Revolving Fund – Supplemental Appropriation for Hurricanes Helene and Milton and the Hawai'i Wildfires (SA-HMW)

"DWSRF Helene"

Intended Use Plan
Fiscal Year 2025

Draft for Public Review
May 2025

Division of Water Infrastructure

North Carolina Department of Environmental Quality

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1. Introduction

In late September 2024, Hurricane Helene devastated infrastructure in many communities in North Carolina. Since October 2024, the Division of Water Infrastructure (Division) has been offering and administering an emergency bridge loan funding program for drinking water and wastewater utilities using state funds.

On December 21, 2024, the American Relief Act, 2025, P.L. 118-158, ("the Act") became law. Title VII of the Act included disaster relief supplemental funding for the State Revolving Fund (SRF) programs. On March 13, 2025, U.S. Environmental Protection Agency (EPA) published an implementation memorandum of the 2025 State Revolving Fund Supplemental Appropriation for Hurricanes Helene and Milton and the Hawai'i Wildfires (SA-HMW). For North Carolina, the funds are intended for wastewater treatment works and drinking water facilities impacted by Hurricane Helene.

This supplemental funding is a one-time injection of funding to promote flood resilience. This Intended Use Plan (IUP) provides details on how the Division intends to administer the SA-HMW funds allotted to the Drinking Water State Revolving Fund, named "DWSRF SA-HMW" or "DWSRF Helene" by the Division for simplicity.

North Carolina's DWSRF SA-HMW allotment is $409,422,000. No state match is required.

North Carolina will administer these funds through the established DWSRF program, with specific program designs intended to meet the purpose and eligibilities that are unique to the SA-HMW funds and the needs of the Helene-impacted communities of North Carolina. The Division is seeking public comments on this draft IUP and planning to submit a grant application to EPA by their established application deadline in June 2025.

The Division intends to apply for any additional funds made available through reallotments of other states' grant allotments and apply the reallotment funds towards eligible projects.

The Division of Water Infrastructure 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 systems[1] 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.

The IUP is incorporated into the grant agreement with EPA and becomes the grant work plan. Combined, the operating agreement, grant agreement, IUP, SDWA, and state statutes set the program requirements for the DWSRF. The IUP identifies anticipated projects scheduled for

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

funding commitments from the DWSRF Helene funds. It also explains how the program will utilize a priority rating system to identify those projects that will address the greatest need in North Carolina that meet the eligibility criteria for DWSRF Helene funds.

1.1. Federal Eligibility for SA-HMW Funds

Funds appropriated under the 2025 American Relief Act shall be used for State Revolving Fund-eligible projects whose purpose is to reduce flood or fire damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or natural disaster at treatment works, as defined by section 212 of the Federal Water Pollution Control Act or any eligible facilities under section 1452 of the Safe Drinking Water Act.

Examples of eligible projects presented in EPA's implementation memo **are included in Section 10**.

2. Financial History

Congress appropriated funds to the State Revolving Funds in the American Relief Act, 2025, in a one-time disaster relief supplemental funding. The EPA has allotted $409,422,000 in SA-HMW funds to North Carolina for the DWSRF program. The Division must apply to EPA to receive a grant award from this allotment. There is no state match required for the award of this grant.

Since this is a new, one-time allotment of supplemental funding, a new financial history is being established. After receiving a grant award from EPA, funds can be disbursed to projects and expended on administrative costs. Repayments of loans received by the Division from DWSRF SA-HMW project funding recipients will be added to the Drinking Water State Revolving Fund to be administered through the DWSRF program.

3. Programmatic Goals

Pursuant to the SA-HMW implementation memo, the state must identify the short-term and long-term goals of the program. The state has the following goals for its DWSRF SA-HMW funds and for the DWSRF program:

3.1. Overall DWSRF Program Goal

Provide funding for drinking water infrastructure while advancing the NC DEQ'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 SDWA while targeting the systems with greatest needs.

3.2. Short-Term Goals of DWSRF SA-HMW

Goal #1: Inform potential eligible applicants of the availability of funds.

Goal #2: Support potential applicants, consultants, and technical assistance providers in identifying potential eligible projects and offer guidance in applying for funding.

Goal #3: Develop application materials and support the State Water Infrastructure Authority in developing a Priority Rating System that are specific for the DWSRF Helene funds.

Goal #4: Simplify and expedite access to funds to aid in the disaster relief efforts (using multiple funding sources) while applying to EPA for SA-HMW grant awards.

Goal #5: Design the DWSRF Helene program to assist multiple local governments and utilities that were impacted by Hurricane Helene by enhancing flood resilience of infrastructure.

3.3. Long -Term Goals of DWSRF SA-HMW

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

Goal #2: Support North Carolina Department of Environmental Quality's Strategic Objectives to invest funding in intentional ways to make sure water and wastewater projects serve communities with the greatest need, and to incorporate [flood] resiliency planning in public infrastructure.

Goal #3: Provide funding assistance and relief to local governments and utilities that were or have been actively recovering from Hurricane Helene impacts through eligible planning and construction projects for drinking water infrastructure, including those that are utilizing the Division's emergency bridge loans.

Goal #4: Coordinate with other funding agencies to maximize disaster relief funding to communities affected by Hurricane Helene.

Goal #5: Continue efforts to streamline the funding process 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 that the Priority Rating System reflects NCDEQ's and the State Water Infrastructure Authority's goals.

4. Information on Activities to be Supported

North Carolina's program will continue to be one of low-interest loans, supplemented with principal forgiveness as allowed by federal law. At least 30% of the capitalization grant (more than $122,826,600) will be offered as principal forgiveness in project funding.

In addition to funding infrastructure projects, the SDWA also allows the use of DWSRF grant funds for non-project purposes. 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. According to EPA's SA-HMW implementation memo, allowable set-asides include:

- Program administration
- Technical assistance to small systems

Set-asides will be used to support the purposes of SA-HMW: to support the reduction of flood risk and vulnerability or to enhance resiliency to rapid hydraulic change at drinking water systems.

The Division intends to access up to 4% of the DWSRF SA-HMW grant (up to $16,376,880) for the program administrative costs and up to 2% (up to $8,188,440) for technical assistance to small systems. Set-aside activities will be conducted by the Division of Water Infrastructure and NCDEQ's Leadership. Set-aside activities may be conducted by the Division of Water Resources and through contracts with other agencies and organizations. See Appendix A for more information about set-aside activities.

associated with running the SRF Helene program. These activities include direct assistance to utilities, training for staff, travel costs, application preparations and outreach, training, technical assistance, application review, engineering report and environmental document review, design review, loan processing, construction inspection, disbursement and repayment processing and accounting for funded projects.

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 Division reserves the right to use unused portions of set-asides at a later date or making it available for project funds, as needed.

The Division reserves the authority to transfer SA-HMW funds between the DWSRF and CWSRF capitalization grants at a later date as necessary. Any requests for transfer will be notified in writing to EPA.

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

Funding Program	Total Capitalization Grant Amount	Up to 4% set-aside for program administration	Up to 2% set-aside for technical assistance to small systems)	Minimum funds available to fund projects
DWSRF SA-HMW	$409,422,000	Up to $16,376,880	Up to $8,188,440	At least $384,856,680

5. Criteria and Methods for Distributing Funds

5.1. Project List, Applications and Prioritization

The Intended Use Plan Project Priority List (see Appendix B) may be supplemented or replaced based on applications received as a part of future funding cycles. The State's priority rating criteria for categorizing and ranking projects for construction loans will be based on the Priority Rating System (see Appendix D).

5.1.1. Applications on a Rolling Basis

Eligible applicants may submit applications for SA-HMW funding for eligible projects on a rolling basis until all available funding has been awarded. Applications received by specific dates (to be published on the Division's website) will be reviewed and presented at the next scheduled State Water Infrastructure Authority meeting for consideration and potential awards. 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. It is anticipated that the Authority will award funding in multiple meetings until all funds have been awarded.

Funding awards for applications received prior to or by January 2, 2026, may be initially capped to provide other applicants an opportunity to apply for funds. Any capped funding awards will be re-evaluated after the January 2, 2026 funding round and potentially awarded additional funds exceeding the initial cap, if funds are available.

5.1.2. Prioritization

The DWSRF program operates on a priority basis. The State's ranking for projects will be based on the Priority Rating System established by the State Water Infrastructure Authority working with the Division (see Appendix D). Applications will be ranked based on the following scores, in the following order: 1) total application score (points), 2) project purpose points, 3) project benefit points, and 4) affordability points.

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 for applicants whose systems are wholly or partially inoperable or have an existing emergency bridge loan with the Division (which were also initially prioritized for systems that were wholly or partially inoperable). Priority points are also given to applicants whose systems were damaged by Hurricane Helene. Other systems that were not damaged but were impacted by the hurricane are eligible to apply, but may not score project purpose points.

In terms of project benefits, priority is given to projects that will move infrastructure from the floodplain or fortify infrastructure within a floodplain, with higher prioritization for assuring continued operation during a 500-year flood event than for a 100-year flood event. Priority is also provided to projects that provide redundancy and cybersecurity, since systems are vulnerable to challenges such as power loss and cyberattacks during weather events such as hurricanes. Additional prioritization is provided for regionalization projects

and projects that will result in reducing water use or energy use, which provide additional resiliency for operations during a disaster event.

The Priority Rating System supports public water supply systems that seek to be proactive in their system management, including prioritization points for projects that result from local flood resiliency planning efforts and applicants that have or are developing emergency preparedness, response or recovery plans.

The Priority Rating System also takes into account the ability of the applicant to afford projects. For example, smaller systems and applicants that have a high poverty rate, high utility bills, lower population growth, lower median household incomes, and higher unemployment receive higher priority. Applicants with high water/wastewater utility rates are prioritized because of their restricted ability to generate new revenue by raising rates further. Lastly, Hurricane Helene devastated many communities and local economies as a result of loss of homes and commercial enterprises. These impacts are significant and sudden, and may not immediately be reflected in Census data. As a result, prioritization is offered to applicants that can document a loss of 20% of water/wastewater volumetric usage as a result of the hurricane, which results in significant loss of revenues to the utility. Applicants would demonstrate this loss from billing records by comparing the total gallons of water (or wastewater) included in bills in the most recent three billing cycles compared to the same three billing cycles from the previous year prior to the hurricane.

5.2. Project Funding and Project Deadlines

Projects are allocated funding in priority order and within special reserve requirements (e.g. Principal Forgiveness reserve, etc. as described herein) until available funds are exhausted. Results of funding awards made by the State Water Infrastructure Authority will be posted on the Division's website.

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

5.2.1. Funding application and supporting information must be complete and received by the application deadline to be considered at the next scheduled Authority meeting.

5.2.2. 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.

5.2.3. Within four months of the issuance of the LOIF, a complete Engineering Report / Environmental Information Document must be submitted to the DWSRF program.

5.2.4. Within nine months, the Engineering Report / Environmental Information Document must be approved.

5.2.5. 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.

5.2.6. Within 19 months, the plans/specifications and all required permits must be approved/issued.

5.2.7. Within 23 months, the following events/items must be completed/received:

5.2.7.1. Advertise the project for bids
5.2.7.2. Receive bids
5.2.7.3. Submit bid information to DWSRF staff
5.2.7.4. Obtain the Division's Authority to Award Construction Contracts.

5.2.8. Within 24 months, construction contracts must be executed.

The milestones in the timeline above are absolute for all projects and will not be extended except based upon a demonstrated need for extension by the applicant. Projects may be able to meet these milestones ahead of schedule. However, in the event that any milestone noted above is not met, work may be suspended and all documents returned to the Applicant.

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.

5.3. Detailed Loan and Project Funding Criteria

5.3.1. General

5.3.1.1. To be eligible for DWSRF SA-HMW funding, a project must be on the Intended Use Plan Project List.

5.3.1.2. The interest rate charged to DWSRF SA-HMW loans is zero percent (0%).

5.3.1.3. Funding will be provided in priority order based on project scores, Authority determination, and the amount of funds made available with consideration of principal forgiveness reserve detailed below. Projects cannot be substantively changed once funding is allocated.

5.3.1.4. An initial funding cap per applicant might apply for applications received prior to or by January 2, 2026 to provide other applicants an opportunity to apply for funds. The initial funding cap will be determined after reviewing the list of eligible projects and corresponding project budgets. Any capped funding awards will be re-evaluated after the January 2, 2026 funding round and potentially awarded additional funds exceeding the initial cap, if funds are available.

5.3.1.5. The maximum DWSRF loan availability per applicant is not more than $200,000,000 in outstanding debt to the DWSRF program, including DWSRF SA-HMW loans.

5.3.1.6. Notwithstanding the limits in Items 5.3.1.4 and 5.3.1.5, if availability of funds exceeds project demand, these limits may be exceeded to ensure all available funds are utilized. Exceeding the caps provided in Item 5.3.1.4 will be considered prior to Item 5.3.1.5.

5.3.2. Principal Forgiveness

A minimum of 30% of the DWSRF SA-HMW capitalization grant must be provided as principal forgiveness loans. Because of the sudden significant costs facing utilities in the aftermath of Hurricane Helene, the Division intends to exceed this minimum requirement by offering greater levels of principal forgiveness to applicants that have more limited resources than others. With zero-percent interest rates, all DWSRF SA-HMW loans are highly subsidized for all applicants. Additional subsidies in the form of principal forgiveness will be provided as described below, using elements of the established affordability/disadvantaged communities criteria used in the base DWSRF program to qualify for principal forgiveness:

5.3.2.1. Baseline: All applicants qualify for 30% principal forgiveness, regardless of system size or Affordability. The remainder of the loan will be offered at the targeted interest rate of zero percent.

5.3.2.2. Affordability: Applicants qualify for 75% principal forgiveness (instead of the baseline 30%) if the applicant is either:

a) designated as Distressed per NCGS 159G-45, or
b) has less than 20,000 residential water connections and has at least two (2) of five (5) LGU economic indicators ("LGU indicators") worse than the state benchmark.

The remainder of the loan will be offered at the targeted interest rate of zero percent.

5.3.2.3. Initial DWSRF SA-HMW Costs: The first $5,000,000 of DWSRF SA-HMW project costs per applicant will qualify for 100% principal forgiveness if either:

a) the applicant qualifies under the Affordability criteria in Section 5.3.2.2, or

b) the applicant's drinking water system(s) and wastewater system(s) (whichever is greater) serve less than or up to 10,000 people (approximately 4,000 residential connections)

Principal forgiveness for the remainder of the DWSRF SA-HMW loan (after the initial $5 million) will be determined based on 5.3.2.1 or 5.3.2.2.

The Initial DWSRF SA-HMW Costs principal forgiveness cap of $5 million applies per applicant, not per project.

5.3.3. Small System Reserve

To ensure that a portion of the DWSRF SA-HMW loan assistance if available to small systems, the Division will reserve a minimum of 30% of the project funding availability from the capitalization grant ($115,457,004) to be awarded to small systems serving up to 10,000 people, to the extent such funds can be obligated for eligible projects by July 2026. If sufficient applications are not received to fully utilize the minimum 30% Small System Reserve by July 2026, the remaining DWSRF SA-HMW loan assistance will be awarded to applicants of all sizes, including to awarding additional funds to projects that were initially capped.

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

5.3.4. Capacity Development Reviews

5.3.4.1. 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. Capacity Development reviews for construction projects that require permitting will be done by the Public Water Supply Section. 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.

5.3.5. Miscellaneous Criteria/Provisions:

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

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

5.3.5.3. Build America, Buy America (BABA) requirements will not apply to projects funded by SA-HMW funds. However, the requirements may apply if the project is co-funded with another federal funding source with BABA requirements.

5.3.5.4. Approval of a loan is contingent on approval by the Local Government Commission (LGC). Applicants receiving 100% principal forgiveness loans must submit their audited financial statement of the latest fiscal year to the Local Government Commission by July 1 of the following calendar year prior to receiving disbursements from the DWSRF principal forgiveness loan.

5.3.5.5. DWSRF SA-HMW loan terms are set by the LGC.

5.3.5.6. The maximum DWSRF loan term is determined by State statute and federal requirements.

5.3.5.7. A 2% loan fee is required. The loan fee cannot be financed by the DWSRF fund.

5.3.5.8. Loan repayments are due in May of each year.

5.3.5.9. The first loan repayment is due no sooner than six months after the completion date as established in the Notice to Proceed.

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 within one year after receipt of each payment.

6.1.2. The State will expend all funds in the DWSRF SA-HMW funds 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, if applicable, 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 at least quarterly into respective federal databases including FFATA and the SRF Data System.

6.3. Transfer between DWSRF and Clean Water State Revolving Fund

Transfer of funds between the DWSRF SA-HMW and the Clean Water State Revolving Fund (CWSRF) SA-HMW 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. 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. Any requests for transfer will be notified in writing to EPA.

7. Program Evaluation Report

DWSRF anticipates receiving and responding to the Program Evaluation Report (PER) for FY2024 funding in calendar year 2025, during and following the Annual Review. The Division participated in the EPA FY2023 Annual Review, which was kicked off on February 27-28, 2024. The State didn't have any audit findings during FY2023.

8. Public Review and Comment

The Intended Use Plan is drafted by the Division, including the Priority Rating System and the funding awards as approved by the State Water Infrastructure Authority, and sent to EPA's Regional Office for review. The draft IUP is published for public review and comment. Links for the documents and notification to the public are done through the Department's website and email notifications sent to various listservs. Once the public review is completed, the Division prepares responses to any comments received and any updates to the IUP, if necessary. If no changes are proposed by the Division, a reason is provided as the response and all of these comments and responses become part of the final IUP.

This section will be completed after the public review period is concluded. Public comments are sought for the draft IUP, including the proposed Priority Rating System established in April 2025 by the State Water Infrastructure Authority (see Appendix D).

The Division will update and finalize the Intended Use Plan after reviewing public comments and after incorporating any additional changes to the Intended Use Plan that EPA identifies as necessary.

9. Budget and Project Periods

9.1. The budget and project periods being requested for the capitalization grant is shown in Appendix C and on EPA Form SF 424.

9.2. The anticipated cash draw ratio will be 100% federal for disbursements made from the special appropriation grant.

9.3. Loan fees (2% of loan) on loans from the grant and fees from loans from repayment funds 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 Infrastructure and Division of Water Resources, including funding for positions.

10. DWSRF SA-HMW Eligible Projects

SA-HMW funds shall be used for State Revolving Fund-eligible projects whose purpose is to reduce

flood or fire damage risk and vulnerability or to enhance resiliency to rapid hydrologic change or natural disaster at treatment works (as defined by section 212 of the Federal Water Pollution Control Act) or any eligible facilities under section 1452 of the Safe Drinking Water Act, that were impacted by Hurricane Helene.

SA-HMW funds may also be used to buy, refinance or restructure debt. Any debt or loan that is forgiven, purchased, refinanced or restructured must have been for SA-HMW eligible expenses. The amount counted against the requirement is the total amount of debt or loan forgiven or purchased, including eligible transaction fees. For restructuring or refinancing loans or debt, the total amount counted against the requirement is the difference between the amount previously owed and the new amount owed, including any transaction fees.

10.1 Examples of Eligible Projects

Examples of projects that are eligible under the SA-HMW are presented in EPA's March 13, 2025 implementation memo and copied here for reference. **If a project is not specifically listed below, the funding applications must explain how the project addresses the purposes outlined above.**

I. Projects that prevent interruption of water distribution system operation in the event of a flood or natural disaster, including but not limited to:

a. Installation of back-up generators (including portable generators) or alternative energy sources (e.g., batteries, switch boxes) that service pump stations or other distribution system facilities
b. Purchase of mobile laboratory equipment for use during emergencies
c. Replacement of damaged equipment with more energy efficient equipment
d. Physical "hardening" or waterproofing of pumps and electrical equipment at pump stations and other components of distribution systems (including storage facilities and associated equipment) through upgrade or replacement, including: • Waterproofing electrical components (e.g., pump motors)
    - Waterproofing circuitry
    - Dry floodproofing/sealing of structure to prevent floodwater penetration
    - Installation/construction of wind resistant features (e.g., wind resistant roofing materials, wind-damage-resistant windows, storm shutters)
e. Relocation of pump stations or other distribution system facilities to less flood prone areas
f. Installation of physical barriers around pump stations or other distribution system facilities (e.g., levees or dikes)
g. Installation/construction of redundant distribution system components and equipment
h. Construction of interconnections with neighboring water systems which could provide an emergency water supply
i. SCADA system projects to allow remote or multiple system operation locations
j. Construction or installation of flood attenuation, diversion, and retention infrastructure associated with an otherwise eligible drinking water project that

protects the distribution system

- Green infrastructure that reduces the risk of flooding by reducing stormwater runoff, including permeable pavement, green roofs and walls, bioretention infrastructure (e.g., constructed wetlands, detention basins, riparian buffers, or stormwater tree trenches/pits/boxes), stream daylighting, and downspout disconnection
- Natural systems, and features thereof, capable of mitigating a storm surge, such as barrier beach and dune systems, tidal wetlands, living shorelines, and natural berms/levees
- Floodwater pumping systems
- Flood water channels/culverts, physical barriers, and retention infrastructure

<u>II. Projects that prevent floodwaters from entering a treatment plant or well house, including but not limited to:</u>

a. Installation of physical barriers around a facility (e.g., levees or dikes around the facility to prevent flooding)
b. Relocation of facilities to less flood prone areas
c. Construction or installation of flood attenuation, diversion, and retention infrastructure associated with an otherwise eligible drinking water project that protects the treatment plant

- Green infrastructure that reduces the risk of flooding by reducing stormwater runoff, including permeable pavement, green roofs and walls, bioretention infrastructure (e.g., constructed wetlands, detention basins, riparian buffers, or stormwater tree trenches/pits/boxes), stream daylighting, and downspout disconnection
- Natural systems, and features thereof, capable of mitigating a storm surge, such as barrier beach and dune systems, tidal wetlands, living shorelines, and natural berms/levees
- Floodwater pumping systems
- Flood water channels/culverts, physical barriers, and retention infrastructure

<u>III. Projects that maintain the operation of a drinking water treatment plant, intake or well in the event of a flood or natural disaster, including but not limited to:</u>

a. Installation of back-up energy supply or alternative energy sources (e.g., batteries, switch boxes) and/or hardening of existing connections to the power grid
b. Replacement of damaged equipment with more energy efficient equipment
c. Physical “hardening” or waterproofing of pumps and electrical equipment at pump stations and other components of distribution systems (including storage facilities and associated equipment) through upgrade or replacement, including:

- Waterproofing electrical components (e.g., pump motors)
- Waterproofing circuitry
- Dry floodproofing/sealing of structure to prevent floodwater penetration
- Installation/construction of wind resistant features (e.g., wind resistant roofing materials, wind-damage-resistant windows, storm shutters)

d. Relocation of critical equipment to less flood prone areas of a facility and/or elevation of critical structures
e. Installation of physical barriers around individual treatment processes
    - Flood walls around treatment tanks
    - Elevated walls or capping of treatment tanks (e.g., tanks, vaults)
f. Installation of larger capacity storage tanks
    - Installation of larger capacity chemical storage tanks for continued treatment in absence of delivery service
    - Installation of larger capacity fuel storage tanks for back-up generators
    - Installation of larger capacity water storage facilities (e.g., raw water reservoirs, backwash tanks, contact basins)
g. Installation/construction of redundant distribution system components and equipment
h. SCADA system projects to allow remote or multiple system operation locations

IV. Projects that preserve and protect water system equipment in the event of a flood or natural disaster, including but not limited to:

a. Relocation of critical equipment to less flood prone areas of a facility and/or elevation of critical structure
b. Prevention of saltwater damage to materials and equipment
    - Installation of salt water resistant chemical storage tanks
    - Installation of salt water resistant fuel storage tanks
    - Installation of salt water resistant equipment and appurtenances

V. Planning projects that assess a treatment works' vulnerability to flood damage or that analyze the best approach to integrate system and community sustainability/resiliency priorities in the face of a variety of uncertain futures including natural disasters and more frequent and intense extreme weather events, provided the planning work is reasonably expected to result in a capital project, including but not limited to:

a. Risk/vulnerability assessments considering recent floodplain maps and projected sea level rise
b. Alternatives analysis
c. Asset Management Plans
d. Emergency Preparedness, Response, and Recovery Plans

VI. Projects that assess, prepare for, protect, or mitigate damage to drinking water plant or well house or water distribution system from wildfires, including but not limited to:

a. Risk/vulnerability assessments considering recent wildfire hazard maps
b. Emergency Preparedness, Response, and Recovery Plans considering wildfire potentials
c. Installation of shut-off valves so that damaged sections of pipeline can be isolated
d. Take actions to protect the "backbone" of water distribution network including key conduits, transmission mains, critical facilities, reservoirs and tanks

e. Maintain emergency generators at key facilities to help mitigate widespread power outages
f. In the wake of wildfires, install sensors upstream of the reservoir to monitor the amount of debris and sediment coming down the river, allowing utility to shut down its treatment plant before flash floods could cause damage; monitor raw water quality to adjust treatment, as necessary; resize culverts to handle increased flow
g. Practice mechanical thinning, weed control, selective harvesting, controlled burns and creation of fire breaks on utility managed property
h. Create a zone of defensible space for utility equipment and facilities (e.g., wellheads, structures, supports to wires and transformers); keep intakes clear of debris
i. Install manual or automatic irrigation systems to provide wetting of components and groundcover for vulnerable areas (e.g., chlorine storage, control equipment buildings)
j. Installation of fire-resistant building materials
k. Purchase of fire suppression equipment and fire safety kits as key components of emergency response equipment

Appendix A
Set-Aside Activity Description

Unused amounts that are budgeted for set-asides will be used for project loan disbursements prior to closing the DWSRF SA-HMW grant.

A. Program Administration

Up to 4% of the DWSRF SA-HMW grant (up to $16,376,880) may be used to fund salaries of employees working on SA-HMW projects and program, and to provide resiliency-related technical assistance to water systems impacted by Hurricane Helene. Activities include application preparations and outreach, training, direct technical assistance, public engagement, coordination with other agencies, application review, engineering report and environmental document review, design review, permitting, loan processing, construction inspection, disbursement and repayment processing and accounting for funded projects.

These funds will also be used to procure all equipment, travel, training, and other administrative expenses necessary for the adequate performance of staff on related duties.

B. Technical Assistance to Small Systems

Up to 2% of the CWSRF SA-HMW grant (up to $8,188,440) to provide resiliency-related technical assistance to small water systems impacted by Hurricane Helene. Technical assistance may be conducted by NCDEQ, technical assistance providers, and other external organizations contracted by NCDEQ. Technical assistance includes costs related to outreach, training, direct technical assistance, public engagement, preparation of funding applications, and assessments of/for small water systems.

Appendix B

Draft - Intended Use Plan Project Priority List for DWSRF SA-HMW funds

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received.

Projects listed in the Intended Use Plan as scoring above the funding line will receive funding from DWSRF SA-HMW funds. The Division will ensure that total funding awards for the supplemental DWSRF program meets or exceeds the allotment amounts for the State of North Carolina. Project Priority List itemizes the output/outcomes of the policies and procedures outlined in this Intended Use Plan for the SA-HMW funds.

All additional subsidies are provided as principal forgiveness according to the criteria established in this IUP.

Applications–Future Funding Rounds

Full applications will be accepted after July 16, 2025, when the State Water Infrastructure Authority is anticipated to finalize a Priority Rating System for DWSRF SA-HMW following public comments. Between May – July, 2025, interested applicants may submit a pre-application to the Division to indicate their intent to apply. The Division will inform the pre-applicants of the availability of application materials soon after the Priority Rating System has been finalized.

Applications will be accepted year-round. Applications received by a specified date (as identified on the Division's website) will be presented at the next State Water Infrastructure Authority for consideration and potential funding award. The Project Priority List below will be completed after multiple rounds of Authority meetings and funding awards, and subsequent public comment periods for the updated Project Priority Lists.

Applicant Name	Project Name	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF SA-HMW Principal Forgiveness	DWSRF SA-HMW Loans	Priority Points	Estimated Binding Commitment
TBD										

TOTALS

	DWSRF SA-HMW Principal Forgiveness	DWSRF SA-HMW Loans (excluding Principal Forgiveness)	Total SA-HMW Project Funds
Total Awarded	TBD	TBD	TBD
Requirement of the Capitalization Grant Amounts	Minimum $122,826,600[1]	Up to $262,030,080	Minimum $384,856,680

[1] The Division anticipates exceeding the minimum principal forgiveness requirement based on the structure of principal forgiveness eligibilities described in this IUP.

Appendix C
DWSRF SA-HMW Proposed Payment Schedule

(Dependent on timing of state match and award of federal grant)

This proposed schedule may be updated in the final Intended Use Plan.

Payment Quarter	**DWSRF SA-HMW Payment Amount**
October 1, 2025 - December 31, 2025	
January 1, 2026 - March 31, 2026	$25,000,000
April 1, 2026 - June 30, 2026	
July 1, 2026 - September 30, 2026	
October 1, 2026 - December 31, 2026	
January 1, 2027 - March 31, 2027	$50,000,000
April 1, 2027 - June 30, 2027	
July 1, 2027 - September 30, 2027	
October 1, 2027 - December 31, 2027	
January 1, 2028 - March 31, 2028	$100,000,000
April 1, 2028 - June 30, 2028	
July 1, 2028 - September 30, 2028	
October 1, 2028 - December 31, 2028	
January 1, 2029 - March 31, 2029	$100,000,000
April 1, 2029 - June 30, 2029	
July 1, 2029 - September 30, 2029	
October 1, 2029 - December 31, 2029	
January 1, 2030 - March 31, 2030	$100,000,000
April 1, 2030 - June 30, 2030	
July 1, 2030 - September 30, 2030	
October 1, 2030 - December 31, 2030	
January 1, 2031 - March 31, 2031	$34,422,000
Total	**$409,422,000**

Appendix D

Proposed PRIORITY RATING SYSTEM for DWSRF SA-HMW Funding

As proposed by the State Water Infrastructure Authority on April 17, 2025.

Proposed SRF SA-HMW Funding 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; note that the project must be eligible for SA-HMW Funds)***	**Claimed Yes/No**	**Points**
1.A	Applicant's system remains wholly or partially inoperable due to sustained damages from Hurricane Helene **OR**		50
1.B	Applicant has an existing Helene emergency bridge loan with the Division of Water Infrastructure **OR**		50
1.C	Applicant's system is operational but has sustained damages from Hurricane Helene		25
	Maximum points for Category 1 – Project Purpose		**50**
	Subtotal claimed for Category 1 – Project Purpose		
Line Item #	**Category 2 – Project Benefits**	**Claimed Yes/No**	**Points**
2.A	Project moves existing infrastructure from the floodplain or fortifies infrastructure within the floodplain		
2.A.1	Project relocates and/or improves infrastructure to assure continued operation during a 500-year flood event **OR**		12
2.A.2	Project relocates and/or improves infrastructure to assure continued operation during a 100-year flood event		10
2.B	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		5
2.C	Project includes system merger or regionalization		
2.C.1	Project includes system merger **OR**		10
2.C.2	Project includes system regionalization and/or system partnerships		5
2.D	Project will result in reducing water use or energy use at least by 20%		3
	Maximum points for Category 2 – Project Benefits		**30**
	Subtotal claimed for Category 2 – Project Benefits		

Proposed SRF SA-HMW Funding PRIORITY RATING SYSTEM for Drinking Water Projects			
Line Item #	**Category 3 – System Management**	**Claimed Yes/No**	**Points**
3.A	Applicant has completed a local flood resiliency action plan with the proposed project included in the plan		5
3.B	Applicant has an emergency preparedness, response or recovery plan and the proposed project is in the plan, or proposed project will develop an emergency preparedness, response or recovery plan		5
	Maximum points for Category 3 – System Management		**10**
	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 Bills at 5,000 Usage		
4.B.1	Greater than the 50th Percentile **OR**		4
4.B.2	Greater than the 70th Percentile **OR**		6
4.B.3	Greater than the 85th Percentile **OR**		8
4.B.4	Greater than the 95th Percentile		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
4.D	System experienced a loss of at least 20% of water or wastewater volumetric usage as a result of Hurricane Helene[±]		8
	Maximum points for Category 4 – Affordability		**30**
	Subtotal claimed for Category 4 – Affordability		
	Total of Points for All Categories		**120**

[±] Measured from billing records as total gallons of water (or wastewater) included in bills in the most recent three billing cycles compared to the same three billing cycles from the previous year (prior to the hurricane).