

**NORTH CAROLINA DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER INFRASTRUCTURE**

**Proposed Priority Rating System Changes for the Bipartisan Infrastructure
Law DWSRF-Lead Service Line Replacement (BIL DWSRF-LSLR) Program**

February 29, 2024

Draft for Public Comment

Background

Congress appropriated funds to the Drinking Water State Revolving Fund (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 (FY 2022-FY 2026) specifically for the purpose of inventorying and replacing lead service lines. These funds are referred to as the BIL DWSRF Lead Service Line Replacement Funds (BIL DWSRF-LSLR).

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

North Carolina General Statute G.S. 159G-71 contains the powers and the duties of the State Water Infrastructure Authority (Authority), which include "To establish priorities for making loans and grants consistent with federal law".

All of the Division's funding programs follow a similar Priority Rating System (PRS) consisting of four categories:

1. Category 1 – Project Purpose
2. Category 2 – Project Benefits
3. Category 3 – System Management (currently not applicable for BIL DWSRF-LSLR PRS)
4. Category 4 – Affordability/Financial Situation

Proposed Changes to the Priority Rating System

On February 20, 2024, the State Water Infrastructure Authority approved proposed changes to the Priority Rating System for public review. The proposed changes to the BIL DWSRF-LSLR Priority Rating System are identical to changes proposed to the Priority Rating System applicable to Drinking Water and Wastewater construction projects that are funded by other funding programs. The proposed change to the PRS is:

- Replacing the combined water and wastewater rates thresholds in line items 4.B.1 – 4.B.4 from dollar values (which have not changed since 2020) to percentiles of rates

charged across the state. The percentiles will be included in application materials to indicate to applicants which line item their utility's current water/wastewater rates would qualify for, compared to rates charged across the state.

The proposed revised PRS for the BIL DWSRF-LSLR program is attached below, with changes shown in **red font** in line items 4.B.1 – 4.B.4. No other changes are proposed.

PRIORITY RATING SYSTEM for Lead Service Line Replacement Projects

The following PRS applies to projects where the entire project scope is eligible for LSLR funds.

DRAFT 2024 PRIORITY RATING SYSTEM for Lead Service Line Replacement Projects Eligible for BIL DWSRF-LSLR Funds			
<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 number of points allowed that may be less than the total sum 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 eliminates lead service lines (100% of project is to replace known lead service lines) OR		20
1.B	Project establishes and implements a program to find and replace lead service lines in areas suspected to have lead service lines OR		15
1.C	Project inventories lead service lines (no replacement)		10
Maximum points for Category 1 – Project Purpose			20
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project addresses/resolves documented Lead Action Level Exceedance OR		5
2.B	Project area has documented Lead Action Level Exceedance		2
Maximum points for Category 2 – Project Benefits			5
Subtotal claimed for Category 2 – Project Benefits			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
	Reserved for future consideration		
Maximum points for Category 3 – System Management			0
Subtotal claimed for Category 3 – System Management			N/A
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		

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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-gallon Usage		
4.B.1	Greater than \$79 the 50 th Percentile OR		4
4.B.2	Greater than \$90 the 70 th Percentile OR		6
4.B.3	Greater than \$107 the 85 th Percentile OR		8
4.B.4	Greater than \$129 the 95 th 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 OR		7
4.C.4	Project benefits disadvantaged areas		5
Maximum points for Category 4 – Affordability			25
Subtotal claimed for Category 4 – Affordability			
Total of Points for All Categories			