

**North Carolina  
Bipartisan Infrastructure Law  
Drinking Water State Revolving Fund  
(DWSRF)  
Lead Service Line Replacement (LSLR)  
Program  
Intended Use Plan  
(Federal Fiscal Year 2022 Appropriations)**

**Division of Water Infrastructure**

**North Carolina Department of Environmental Quality**

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## 1. Introduction

This Intended Use Plan addresses the 2022 Drinking Water State Revolving Fund Lead Service Line Replacement (DWSRF-LSLR) 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 systems<sup>1</sup> are local government units (LGUs), non-profit water utilities, and investor-owned drinking water companies. Most of the customers of public water supply systems across North Carolina are served by local government units.

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 for drinking water infrastructure at interest rates lower than market rates. 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 general DWSRF program.

This Intended Use Plan (IUP) explains how the 2022 Bipartisan Infrastructure Law DWSRF-Lead Service Line Replacement capitalization grant will be used and how the fund 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 DWSRF and its components, such as the BIL DWSRF-LSLR funds. The IUP identifies anticipated projects scheduled for loan commitments from the BIL DWSRF-LSLR. It also explains how the BIL DWSRF-LSLR 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 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) specifically for lead service line replacements, referred to as the BIL DWSRF-Lead Service Line Replacement (BIL DWSRF-LSLR) Fund. The BIL also appropriated funds specifically to supplement the DWSRF funds and to address emerging contaminants issues, plans for which will be described in separate IUPs.

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<sup>1</sup> For brevity, "LGUs" in this Intended Use Plan refers to all eligible entities, including local government units, non-profit water utilities, and investor-owned drinking water utilities.

### 3. Programmatic Goals

Pursuant to the SDWA, the State must identify the goals and objectives of the state loan fund (i.e., the BIL DWSRF-Lead Service Line Replacement). The State has the following goals for its BIL DWSRF-LSLR 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 SDWA while targeting the neediest systems.

#### 3.2. Lead Service Line Replacement Short-Term Goals

- Continue efforts to inform local government units of the availability of funds, benefits of the DWSRF program, and funding process improvements.
- Work closely with local water agencies to rapidly complete lead service line (LSL) inventories. Under the Lead and Copper Rule Revisions, all water systems must have initial lead service line inventories by October 2024. Technical assistance set-aside funds will be used to help water systems develop inventories. Preparing the inventory will allow systems to assess the magnitude of their LSLs, better identify sampling locations, and begin planning for LSL removal actions.

#### 3.3. Long-Term Goals

- Support water agencies in full LSL replacement. A service line connects the water main to the building inlet. A lead service line may be owned by the water system, the property owner, or both. A galvanized service line is considered a lead service line if it ever was or currently is downstream of any lead service line or service line of unknown material. The replacement of lead goosenecks, pigtails, and connectors are eligible expenses for BIL DWSRF-LSLR funds, whether stand-alone or connected to a lead service line. For brevity, "lead service line replacement" in this IUP refers to the replacement of all of the above, including the replacement of lead goosenecks, pigtails, and connectors.

#### **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. The State intends to access up to 4% (up to \$3,482,480) of the FY2022 capitalization grant for the administrative costs associated with running the program. These activities include application review, engineering report and environmental document review, design review, loan processing, construction inspection, and loan repayment processing and accounting for funded projects.

In addition to funding lead service line inventorying and replacement projects by eligible entities, the State intends to use set-asides from the BIL DWSRF-LSLR capitalization grant for non-construction project activities related to identifying, inventorying and replacing lead service lines. Non-construction project activities may be conducted 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. 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 following table provides a summary of the projected funds available as a result of the 2022 federal capitalization grant for BIL DWSRF-LSLR, which is the first year of capitalization in the five-year program.

## **BIL DWSRF-Lead Service Line Replacement Sources and Uses for the Life of the Program**

<b>Historic Sources and Uses</b>			<small>(From DWNIMS)</small>						
<b>Revenues</b>						<b>Expenditures</b>			
<b>FY</b>	Federal Cap	State Match	Repayments Principal	Repayments Interest	Interest Earned	Project Disbursements	Set Asides	<b>Net For FY</b>	<b>Cumulative Net</b>
2022	\$87,062,000	\$0	\$0	\$0	\$0				
<b>Totals</b>	<b>\$87,062,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>			<b>\$87,062,000</b>	
<b>Projected Sources and Uses for FY 2022</b>				<small>(Based on Availability Model)</small>					
				\$0	\$0	\$67,037,740	\$20,024,260	\$0	

Values in RED as approximate values.

## 5. Criteria and Methods for Distributing Funds

### 5.1. Project List and Prioritization

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received as part of future funding cycles (see 5.2. 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. The State's ranking system for lead service line replacement projects will be based on the BIL DWSRF-Lead Service Line Replacement Priority Rating System (see Appendix D).

BIL DWSRF-LSLR funds will only be awarded to projects when the entire project is eligible for BIL DWSRF-LSLR funds and receives Project Purpose priority points in the priority rating system.

- Eligible costs include the following:
  - Replacement of curb stops, curb stop boxes, and other service line appurtenances that are removed as part of full LSLR.
  - Site restoration, including landscaping, sidewalks, driveways, curbs, etc., if the removal is necessary to replace the lead service line.
  - Permit fees if the fees are normal, required, and specific to the LSLR. It is recommended that LGUs waive these fees.
  - Temporary pitcher filters or point-of-use (POU) devices certified to reduce lead during or for a short time period after LSLR projects by an American National Standards Institute-accredited certifier.
  - Non-routine (i.e., not for compliance purposes) lead sampling as part of a LSLR project.

The Priority Rating Systems considers three elements: project purpose, project benefit, and affordability.

- Project purpose priority points are available for projects to accomplish the following:
  - Complete removal of lead service lines (both public and privately owned portion) or service lines made of galvanized iron or galvanized steel that are currently or have previously been downstream of lead components and replacement with pipe that meets the requirements established under 40 CFR 143 and complies with state and local plumbing codes and/or building codes.
  - Removal of lead or galvanized goosenecks, pigtails, and connectors and replacement with an acceptable material that meets the requirements established under 40 CFR 143 and complies with state and local plumbing codes and or building codes.
  - Establish and implement a program to find and replace lead service lines in areas suspected of having lead service lines or connectors.

- Develop or update lead service line inventories, including locating and mapping lead service lines. Methods of investigation to develop inventories may include visual observation, water quality sampling (non-compliance), excavation, vacuum or hydro-excavation, statistical analysis, or other emerging technologies.
- In terms of project benefits, priority is given for applicants that have a documented exceedance of the lead action level, and additional prioritization for projects that will address the documented exceedance of the lead action level.
- The Division also considers the ability of the applicant to afford projects. For example, those applicants that have a high poverty rate, high utility bills, lower population growth, lower median household incomes, higher unemployment, or projects that benefit disadvantaged areas receive higher priority points.

5.2. Estimated Funds Available for each funding round

It is the intent of the Division to make the DWSRF BIL LSLR funds available to systems more quickly than the traditional DWI funding cycles which occur twice per year (awards in February, and July) for construction projects. DWSRF BIL LSLR funds will be made available for awards as part of regular State Water Infrastructure Authority meetings during the year. DWI will establish application due dates for each funding cycle. Complete and eligible applications received on or prior to the application due date will be considered for funding and Staff will make funding recommendations to SWIA at the next scheduled SWIA meeting. Projects not selected for funding will be automatically reconsidered for the next funding cycle. The following table shows the expected funding rounds for the 2022 BIL LSLR funds.

<b>Table 2. Expected Funding Rounds for the 2022 BIL LSLR funds</b>			
<b>Approximate Application Due date</b>	<b>Approximate SWIA Meeting (Award date)</b>	<b>Estimated min 2022 LSLR Funds Available (Includes PF)</b>	<b>Estimated min 2022 Principal Forgiveness Available</b>
August 18, 2023 <sup>1</sup>	September 19, 2023	\$22,345,913	\$14,220,127
November 1, 2023	December 12, 2023	\$22,345,913	\$14,220,127
December, 2023	February, 2024	\$22,345,913	\$14,220,127
March, 2024	April, 2024	\$0 <sup>2*</sup>	\$0 <sup>2</sup>
<b>Totals</b>		<b>\$67,037,740</b>	<b>\$42,660,380</b>

<sup>1</sup>Initial funding round will only be available to systems who previously provided a Lead Service Line Solicitation Form. These systems will have an opportunity to update project information prior to August 18.

<sup>2</sup>Allotments for 2024 SWIA meetings may be recommended for award if funds remain available from 2022 DWSRF BIL LSLR funds. It is anticipated that 2023 DWSRF BIL LSLR funds can be made available for 2024 if project demand exceeds funds available.

5.3. Application and Project Deadlines

The BIL DWSRF-Lead Service Line Replacement program operates on a priority basis. Funding is allocated to projects in priority order (as noted above) and within special reserve



requirements (e.g., Principal Forgiveness Reserve, etc. as described herein) until available funds for a funding round are exhausted. Funding availability for each funding round is determined based on LSLR funds remaining and number of funding rounds remaining in the Capitalization Grant cycle. Results will be posted on the program's website. Funding applications will be accepted throughout the year. Only projects with a scope entirely eligible for LSLR funds will be eligible for funding from the BIL DWSRF-LSLR by the State Water Infrastructure Authority.

Awards will be made by the Authority at meetings scheduled and advertised on the Division's website. After the Authority approves awards of funds to eligible projects during a funding cycle, the DWSRF program will issue Letters of Intent to Fund (LOIF) based on the projects' prioritization and the amount of funds available in the cycle.

Project funding is contingent on adherence to the schedule below in accordance with §159G-41 (times listed are measured from the date of the Letter of Intent to Fund unless noted otherwise). Projects that do not require engineering design may have an alternate project schedule that skips unnecessary milestones and moves project to completion more efficiently. Such projects will be expected to be completed within one year of the award:

- Within four months, a complete Engineering Report for construction projects or a project scope for inventorying work must be submitted to the Division. Inventory projects will not be required to submit an Engineering Report and will have an alternative schedule established.
- Within six months, the Engineering Report or scope of work must be approved by the Division.
- Within nine months, plans and specifications or bid and design documents must be submitted to the Division for construction projects. Inventory Projects will not be required to submit an Engineering Report and will have an alternative schedule established.
- Within 12 months, plans and specifications or bid and design documents must be approved by the Division.
- Within 16 months, the following events must be completed (If applicable):
  - Advertise the project for bids
  - Receive bids
  - Submit bid information to Division
  - Obtain the Division's Authority to Award construction contracts.
- Within 18 months, construction contracts must be executed. Inventory Projects will have an alternative schedule established.

Per G.S.159G-41, a letter of intent to offer (LOIF) an award is withdrawn if the applicant fails to enter into a construction contract for the project within two years after the LOIF. An

award for a project is withdrawn if the applicant fails to enter into a construction contract for the project within one year after the date of the award. Both milestones may be extended if the Department finds that the applicant has good cause for the failure and the Department sets a date by which the applicant must take action or forfeit the loan or grant.

The milestones in the timeline above are absolute for all projects in a particular cycle and will not be extended except upon a demonstrated need for extension by the LGU. 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 Division staff may be suspended and all documents returned to the Applicant until the proposed project is resubmitted for consideration during a future funding round.

#### 5.4. Detailed Loan and Project Funding Criteria

##### 5.4.1. General

- 5.4.1.1. To be eligible for BIL DWSRF-Lead Service Line Replacement funding, a project must be on the Intended Use Plan Project List.
- 5.4.1.2. Funding can be provided for any eligible projects as provided for in the Safe Drinking Water Act and NCGS 159G. A project or activity is eligible for funding when it is both DWSRF-eligible and either a lead service line replacement (LSLR) project or associated activity directly connected to the identification, inventorying, planning, design, and replacement of lead service lines. Any project involving the replacement of a lead service line must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.
- 5.4.1.3. To support Lead and Copper Rule Revision requirements for water systems to inventory lead service lines by the end of 2024, a minimum of 50% of funds made available for each funding round will be reserved for inventory projects. Funds reserved in this section will be made available to all projects in priority order if there are not sufficient applications to meet the 50% minimum funding reserve.
- 5.4.1.4. Funding will be provided in priority order based on project score, Authority determination, and the amount of funds made available with consideration of the principal forgiveness reserve detailed below.
- 5.4.1.5. The maximum BIL DWSRF-LSLR funding loan amount (including principal forgiveness) per applicant for each funding round as defined in Section 5.2 are as follows:
  - \$5,000,000 for projects replacing known lead service lines.
  - \$2,000,000 for projects finding and replacing lead service lines in areas suspected of having lead service lines. Project must result

in service lines within the project area being categorized as “known lead” or “known not lead” using methods approved for completion of the LSL inventory as required in the Lead and Copper Revised Rule. Budget must limit service line material verification to \$1,000,000.

- \$1,000,000 for projects to conduct a lead service lines inventory.

5.4.1.6. Projects receiving project purpose priority points will receive loans with a targeted interest rate of 0%.

#### 5.4.2. Principal Forgiveness

5.4.2.1. Communities that are eligible to receive principal forgiveness are defined as disadvantaged communities. A total of 49% (\$42,660,380) of the BIL DWSRF-LSLR Capitalization Grant will be used to provide additional subsidization in the form of principal forgiveness to disadvantaged communities.

5.4.2.2. The Division will provide additional subsidization to projects in the categories provided in 5.4.2.2.1 – 5.4.2.2.2 in project priority order. The Division will provide principal forgiveness to a project based on only one of the categories provided in 5.4.2.2.1 – 5.4.2.2.2.

- 5.4.2.2.1. Affordability: Projects will receive principal forgiveness, if available, following the affordability criteria grant percentage matrix found in Appendix E when the applicant has:
- less than 20,000 residential water connections;
  - at least three (3) of five (5) LGU economic indicators (“LGU indicators”) worse than the state benchmark;
  - an operating ratio (future) of less than 1.3; and
  - utility rates greater than the state median or a project cost per connection that is projected to increase the utility rates above the 70<sup>th</sup> percentile of state-wide utility rates.

Projects will receive principal forgiveness, if available, following the affordability criteria grant percentage matrix found in Appendix E when the benefiting system has:

- been designated as distressed per NCGS § 159G-45; and
- utility rates greater than the state median or a project cost per connection that is projected to increase the utility rates above the 70<sup>th</sup> percentile of state-wide utility rates.

Principal forgiveness will range from 25% to 100% of the

award, in increments of 25%, up to \$500,000 per project per round at the targeted interest rate, as described under 5.4.1.6, applied to the remaining portion of the loan.

5.4.2.2.2. Disadvantaged Area: Projects for which at least 50% of the project costs are to benefit disadvantaged areas will receive principal forgiveness for 50% of the award, up to \$500,000.

“Disadvantaged areas” are subsections or pockets of a local government unit area or utility service area, not the entire local government unit area or entire utility service area. Disadvantaged areas are limited to less than half the number of total connections served by the applicant at the time of application. A targeted project area will be considered a “disadvantaged area” based on factors that shall include:

- affordability of water and sewer service rates relative to the income levels of residents of the targeted project area;
- median household income of the targeted project area;
- poverty rates of the targeted project area;
- property values of the targeted project area; and/or
- employment rates of the targeted project area.

Additional factors that may qualify the targeted project area as disadvantaged, such as (but not limited to) demographic, historical, cultural, linguistic, socio-economic stressors, cost-of-living stressors, or existing contamination factors, may also be considered for targeted project areas that meet the size specification above. Applicants must provide a narrative in the application to justify the targeted project area as disadvantaged using the factors above and may use maps or other existing sources to document their justification. For example, applicants can demonstrate a targeted project area as a disadvantaged area if it meets the size specifications above and falls within a Potentially Underserved Block Group or Tribal boundary layer in the North Carolina Department of Environmental Quality’s Community Mapping System, or similar state or federal maps such as the Climate and Economic Justice Screening Tool.

5.4.2.3. Notwithstanding the above limits in 5.4.2.2.1 and 5.4.2.2.2, if available principal forgiveness funds in a funding round exceed the limits in 5.4.2.2.1 and 5.4.2.2.2, those limits may be exceeded to ensure that available principal forgiveness funds in the funding round are used in the following order:

- 5.4.2.3.1. Principal Forgiveness limit of \$500,000 may be exceeded by \$500,000 (not to exceed the applicant's grant percentage eligibility) for eligible projects in priority order. If principal forgiveness funds remain for that funding cycle, additional increments of up to \$500,000 principal forgiveness can be awarded (not to exceed applicants' grant percentage eligibility) for eligible projects in priority order.
- 5.4.2.3.2. Principal Forgiveness percentages determined in 5.4.2.2.1 and 5.4.2.2.2 may be exceeded by 10% (not to exceed 100%) for eligible projects in priority order. If funds remain after all eligible projects receive the first percentage increase, principal forgiveness percentages can be increased for eligible projects by additional 10-percent increments (not to exceed 100%) until available Principal Forgiveness funds are awarded.

#### 5.4.3. Small System Reserve

- 5.4.3.1. 40 CFR 35.3525(a)(5) requires that a minimum of 15% of the FY2022 base DWSRF and the BIL General Supplemental DWSRF loan assistance be awarded to small systems. This requirement and the Small System Reserve do not apply to the BIL DWSRF-Lead Service line Replacement Funds.

#### 5.4.4. Miscellaneous Criteria/Provisions:

- 5.4.4.1. Davis-Bacon prevailing wage rates apply to all State Revolving Fund loans.
- 5.4.4.2. American Iron and Steel provisions apply to loans as required by federal mandates.
- 5.4.4.3. Build America, Buy America Act (BABA) requirements apply to loans as required by US EPA and federal mandates.
- 5.4.4.4. The DWSRF loan interest rate is based on half of The Bond Buyer's 20-Bond Index except as specifically allowed herein. The maximum interest rate for each loan will be set at the time of the application, while a lower interest rate, if available, will be set at the time of the award offer. An interest rate of 0% will be used for all BIL DWSRF-LSLR loans.
- 5.4.4.5. Approval of a DWSRF loan is contingent on approval by the Local Government Commission (LGC).
- 5.4.4.6. DWSRF loan terms are set by the LGC.
- 5.4.4.7. The maximum DWSRF loan term is determined by state statute and

federal requirements. The loan term for LSLR inventories-only (with no construction) will be no more than five (5) years.

- 5.4.4.8. A 2% loan fee is required. The loan fee cannot be financed by the DWSRF fund.
- 5.4.4.9. Loan repayments are due in May (principal and interest) and November (interest only) of each year.
- 5.4.4.10. Interest begins accruing on the date of completion established in the Notice to Proceed.
- 5.4.4.11. 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 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 less the set aside allowances within one year after receipt of each payment.
- 6.1.2. The State will expend all funds in the DWSRF in an expeditious and timely manner.

### **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 at least quarterly 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 and Clean Water State Revolving Fund

Transfer of funds between the DWSRF and the Clean Water State Revolving Fund are authorized by federal statutes, however no such provisions are applicable to the BIL DWSRF-LSLR funds. This IUP does not propose any such transfer of funds.

## 7. Public Review and Comment

The Division provided a public comment period from March 7 through April 7, 2023, for the LSLR Funds Intended Use Plan (IUP). The following is a summary of comments received and changes to the IUP.

### Comments on the Application Process

**Comment:** The LSL IUP should ensure public health is protected during and after replacement. DEQ should require funding recipients to provide basic health protections for households affected by lead service line replacement activities, including notice, filters, and sampling. DEQ should require funded projects to provide notice to affected residents informing them of a possible increase in lead in their drinking water, provide certified water filters, provide clear instructions on how to install the filters, and offer to conduct water sampling after replacement activities.

Additionally, replacing or disturbing any service lines and other components made of lead, as well as galvanized lines that are or were downstream of lead pipes or components, can lead to elevated levels of lead during the project and months after, and must be done carefully with necessary safeguards to protect consumers' health. Because these replacement activities present prolonged public health risks, DEQ should require the same public health protections listed above when projects involve lead components and galvanized lines.

**Response:** The Revised Lead and Copper Rule specifies that water systems with lead service lines are required to have a service line replacement plan [§141.84(b)], which must include a procedure for customers to flush service lines and premise plumbing of particulate lead after replacement.

Water system replacing lead goosenecks, pigtails, or connectors [§141.84(c)(5)], must follow risk mitigation procedures specified in §141.85(e)(5)(ii). The section, "Notification due to a disturbance of a lead service line", requires that the water system provide the consumer with a pitcher filter certified to remove lead, instructions to use the filter, and 3 months of filter replacement cartridges. They must also provide the consumer with information about the potential for elevated lead in the drinking water as a result of the disturbance and provide a flushing procedure.

§141.85(e)(5)(iii) outlines the same requirements for lead service line replacements. A pitcher must be provided, the customer must be informed of the potential for elevated lead, and they must be given a flushing procedure. **No change from Draft IUP.**

**Comment:** For the purposes of data collection and sound decision-making, we suggest DEQ should require submission of the applicant's lead service line inventory – whether partial or complete – with their replacement project application. Additionally, we believe inventories should specify the location of lead service lines, not just a description of whether lead service lines exist in the jurisdiction. Information about the specific location of lead service lines in a system is especially critical to advance the agency's commitment to environmental justice and assess whether a

proposed project may qualify for prioritization because it benefits a “disadvantaged area.”

Response: To be eligible for DWSRF LSLR funds, projects to remove known lead service lines must document how the existence of lead service lines was established. The application guidance document includes examples of narratives. Documentation of known lead service lines may include maps/location addresses/photos. **No change from Draft IUP.**

Comment: DEQ should issue requirements for inventory projects based on EPA’s LCR inventory guidance and Michigan’s requirements, which includes physical verification. Without robust, accurate inventories, it is impossible for a utility to identify which areas are in the greatest need of removal projects, and impossible for the Division to identify which areas of the state are in greatest need of funds. Therefore, replacement project funding without inventories is likely to undermine the Agency’s goal of focusing on the neediest areas of North Carolina.

Response: Service Line Replacement projects must document how the line was determined to be lead in accordance with methods approved by EPA as described in U.S. EPA's Guidance for Developing and Maintaining a Service Line Inventory. If the inventory data cannot determine with certainty where LSL are present, field investigation/verification is needed to ensure lines to be replaced are eligible for funding. Although North Carolina PWSS and EPA recommend some physical verification in support of inventories, physical verification is not required to comply with the Lead and Copper Rule Revision (LSLR). **No change from Draft IUP.**

Comment: The proposed inventory, investigation, and replacement work to be completed in solicitation forms does not likely fall under the definition of engineering as provided by the NCBELS. Inventory and investigation will be completed by a variety of entities including utility staff and replacement work will be completed by a combination of the same staff and licensed contractors and plumbers. Additionally, the project budget will be largely developed on non-engineering-based assumptions and a PE Seal is not appropriate.

Response: Comment is not related to the IUP, however, staff support removal of the engineering seal requirement for inventory-only projects. **No change from Draft IUP. PE seal requirement for application budgets will be removed for inventory-only projects.**

Comment: LSLR projects, as well as inventory and investigation projects, are likely not considered “engineering projects” as defined by the North Carolina Board of Engineers and Land Surveyors but rather implementations of a replacement program. Engineering firms may act as consultants to manage projects but will not provide engineering reports and plans and specifications as most of this work will be completed either by the local government unit in-house or by local plumbers under applicable state codes. Additionally, most of the replacement work, in most local governments, will be on the private side. We recommend revising the schedule as such and asking for a projected schedule from the local government unit, maps showing areas of work, estimated costs with supporting documentation and minimum necessary documentation to detail loan repayment.

Response: To better ensure projects are completed efficiently, Staff supports establishing project completion deadlines without intermediate milestones for projects not considered “engineering projects” as described in the comment. **Section 5.3 includes project milestones specific to inventory only project.**

#### Comments on Program implementation

Comment: Clarification is needed on whether an engineering report is required for inventorying work. In the current context, it is questionable. Additionally, requiring an engineering report for



inventorying does not seem reasonable considering the many methods of inventory allowed in the guidelines for conducting a lead service line inventory released by the EPA. Utilities should have the option to contract with service providers, outside of licensed engineering firms, for inventory work.

Response: The draft project deadlines may not be applicable to projects not considered “engineering projects” as described in the comment. Staff support establishing project deadlines where unnecessary milestones are not included to better ensure projects are completed efficiently. **Section 5.3 updated to include alternate project deadlines.**

Comment: We recommend decreasing the timelines for submission and approvals of project scopes for inventorying work. This change could expedite the completion of inventory projects, potentially allowing applicants to reapply for additional funds, if available, to replace any lead service lines discovered during the inventory.

Response: The draft project deadlines may not be applicable to projects not considered “engineering projects” as described in the comment. Staff support establishing project deadlines where unnecessary milestones are not included to better ensure projects are completed efficiently. **Update Section 5.3 to include alternate project deadlines.**

Comment: Many of these projects may not be ‘traditional’ construction projects and may be completed by plumbing companies rather than normal utility construction contractors. Will DWI allow utilities to do a prequalification process for local plumbing companies and then utilize those to execute the service line replacement work? This would impact/modify the traditional design-bid-build process.

Response: The Division supports the use of qualified local plumbers to perform the work. The Division believes recipients, or their contractors can contract directly with local plumbers to complete the work, or the recipient can reimburse landowners for work eligible for LSLR funds and approved by the recipient. **No change from Draft IUP/PRS**

Comment: Many of these projects will not be ‘typical’ construction projects. There is some concern with the ability of some companies (local plumbing companies) to comply with some of the federal requirements (Davis-Bacon, BABA, etc.) and having a large utility contractor acting as a ‘general contractor’ will drive up costs. Will DWI entertain innovative approaches from utilities in order to meet these requirements?

Response: All federal requirements must be met. DWI will work with recipients and their consultants with innovative approaches that meet the requirements. **No change from Draft IUP/PRS**

Comment: From the environmental review perspective, these projects should be able to be classified using the categorical exclusion (CE) criteria. Would DWI consider doing a blanket CE determination for just this program? This would eliminate the requirement for utilities to complete these documents, but they could provide basic information that would provide the rationale for the CE exclusion, saving time and money.

Response: DWI appreciates the idea and will investigate to what extent a blanket exclusion can be provided. A blanket CE (CE by Type) is already in place for work within the ROW. **No change from Draft IUP/PRS**

Comment: How will LSLR handle co-located water and sewer lines? Are we just accepting the inefficiency of replacing water lines and leaving old sewer lines for another day, or is there some creative way to tie in CWSRFs or other funding sources?

Response: Co-location is an issue for water mains and sewer lines, not for water service lines. Replacement of lead water mains is not eligible to receive LSLR Funding. **No change from Draft IUP/PRS**

Comments on Funding Caps and Eligible Costs

Comment: DEQ should carefully consider the impact of the funding caps listed in Section 5.3.1.4. While we recognize the tension between providing more money per community versus providing support to a larger number of communities, strict caps may limit the ability of some disadvantaged communities to participate in the program, even if the balance of a project's costs are financed with low-interest loans or principal forgiveness. We encourage DEQ to consider and compare the pros and cons of different levels for caps, using real-life scenarios of communities and projects that can be anticipated to satisfy the affordability criteria. We recommend allowing higher caps in relation to the degree of fiscal distress in a given community. Similarly, the caps on principal forgiveness outlined in 5.3.2.2.1. and 5.3.2.2.2. may exclude some necessary projects in disadvantaged communities. Further, the ability to exceed the principal forgiveness cap should be based on need (financial distress) and not on whether there are leftover funds available for distribution (as currently outlined in Section 5.3.2.3.).

Response: Staff recognize the balance between providing more money per community versus providing support to a larger number of communities, and IUP provides funding CAPs and Principal forgiveness allowances intended to best meet the needs of communities. Staff will continue to evaluate funding caps and principal forgiveness allowances based on applications received to best meet the needs of communities for future funding rounds. **Section 5.4.1.5 updated to increase funding caps for replacement projects and for inventory only projects. Additional details on the cap for find and replace projects are included to limit the inventory portion of the project to match the cap for inventory only projects.**

Comment: We appreciate the thought given to funding caps per applicant based on project type. This will allow funding to reach more jurisdictions and make a wider impact. While \$4 million as a cap for replacing known lead service lines is sensible, we have concerns that a \$2 million cap on "find and replace" projects might limit the ability of applicants to replace the entire service line, as is directed in the EPA implementation memo<sup>1</sup> and committed to in the IUP. It also seems possible that a "find and replace" project could quickly run over its awarded funding if more lead service lines are discovered than were initially anticipated. For this reason, we believe all replacement projects should have the same cap of \$4 million and that thought should be given about a way to ensure that "find and replace" projects are not left incomplete.

Response: Recipients may apply for additional funds for each funding round to meet project needs. **Section 5.4.1.5 updated to increase funding caps for replacement projects and for inventory only projects. Additional details on the cap for find and replace projects are included to limit the inventory portion of the project to match the cap for inventory only projects.**

Comment: Consider reducing the funding cap for lead service line inventory from \$500,000 to \$200,000 per applicant and/or based on the number of residential services. For example, a water system with less than 1,000 connections in theory should not require as extensive records review and inventory activities as systems with 10,000 connections or greater.

Response: Scopes and cost estimates for system inventory projects are expected to be proportionate to the system's size (i.e., number of connections). **Section 5.4.1.5 updated to increase funding caps for replacement projects and for inventory only projects. Additional details on the cap for find and replace projects are included to limit the inventory portion of the project to match the cap for inventory only projects.**

Comment: Based on numerous inventory and investigation projects in multiple states across the country, we believe \$500,000 is not enough to perform a complete inventory and investigation. A midsize client of ours confirms their inventory and investigation work is budgeted to start at around \$4,000,000. We recommend increasing the project funding caps as well as revising the project purpose. A typical expected cost for onsite investigation would be \$750 per connection, a full lead service line replacement being in the range of \$10,000 per connection. The limits as proposed do not match the reality of project implementation and should be revised as appropriate.

Response: **Section 5.4.1.5 updated to increase funding caps for replacement projects and for inventory only projects. Additional details on the cap for find and replace projects are included to limit the inventory portion of the project to match the cap for inventory only projects.**

Comment: Section 5.3.1.5 states “The maximum DWSRF loan availability per applicant is no more than \$200,000,000 in outstanding debt to the DWSRF Program.” We recommend removing the outstanding debt cap regarding all lead service line funding as a complete inventory of service line materials by October 16, 2024, is required by the Lead and Copper Rule Revision. Additionally, this funding has a dedicated set-aside only for lead service line work.

Response: **The total debt limit established in Section 5.3.1.5 is removed.**

Comment: The expense of doing LSL replacement and inventories is significant. We request consideration of increasing the amount of funding per applicant per round in each category as follows:

- \$6,000,000 for known LSLR
- \$4,000,000 for Find and fix LSLR
- \$2,000,000 for inventories

It can be very costly to replace lead/GRR service lines in areas that are suspected of having them, which are generally in older, established neighborhoods. We know from other work that involves retrofitting infrastructure in developed areas that costs are significantly greater than work in areas that are less developed and where fewer conflicts exist. These increases would also reduce the administrative burden on DWI staff, owners, and consultants by consolidating more work into one project, rather than multiple smaller projects that require the same amount of paperwork.

Response: **Section 5.4.1.5 updated to increase funding caps for replacement projects and for inventory only projects. Additional details on the cap for find and replace projects are included to limit the inventory portion of the project to match the cap for inventory only projects.**

Comment: Please confirm if work previously completed for lead service line inventory, investigation, and replacement is eligible for reimbursement. If previous work is eligible, please confirm the date on which work completed is eligible for reimbursement. It will be difficult for applicants to complete the solicitation form without an answer to this comment to know what is eligible for reimbursement. Since the BIL implementation memo was published in March 2022, we recommend work completed after this date that meets other SRF/BIL requirements be eligible for reimbursement.

Response: Work completed after March 2022 is eligible for LSLR funds provided the recipient can demonstrate that applicable state and federal requirements were met. **No change from Draft IUP/PRS**

Comments of funding cycles and available funds

Comment: Since applications for this funding will be accepted on a rolling basis and additional lead service line replacement (LSLR) will be made available in future years, will DWI just update the amounts available for principal forgiveness (and loan) as the annual IUPs are drafted? Is it possible that projects will continue to be added to the IUP project list and awards made pending the receipt of the next LSLR allocation from EPA? (i.e., The IUP project list will be a rolling list with projects funded in priority order as additional LSLR monies are made available.)

Response: **Section 5.2 has been added to more clearly the Divisions intent on making funds available on a rolling basis.**

Comment: DWI shows the dollar amount of the BIL-mandated principal forgiveness amount of 49% of the current DWSRF-LSLR Capitalization Grant in the draft IUP (\$42,660,380), which assumes that the remaining 51% of the total will be provided in loan funds. Could the actual amount of principal forgiveness change (decrease) and how will DWI handle these awards since this program will be done on a rolling basis?

Response: The 49% additional subsidy requirement is based on the amount of the Capitalization Grant awarded to NC. Administrative and other allowable set-asides will reduce the amount of repayable loan available to recipients but does not impact the required additional subsidy. However, if there is not sufficient documented need to justify the entire LSLR allotment for NC, the amount of additional subsidy will be reduced to 49% of what is awarded. **Section 5.2 has been added to more clearly the Division's intent on making funds available on a rolling basis.**

Comment: Please define funding round. If applications are intended to be accepted on a rolling basis without "deadline," please confirm when applications must be submitted in order to be prioritized for funding during each funding round.

Response: The Division's intent is to publish a funding "schedule for LSLR" on the Division website, as well as use multiple public information platforms to ensure applicants can plan for and meet funding schedules to move their projects forward. **Section 5.2 has been added to more clearly the Divisions intent on making funds available on a rolling basis.**

Comment: If there are multiple funding rounds per year will local governments be eligible to apply for each funding round?

Response: It is intended that Local Governments will be eligible for funding for each funding round. **Section 5.2 has been added to more clearly the Division's intent on making funds available on a rolling basis.**

Comment: Will applications not funded be reconsidered more than once? If so, how many "funding rounds" will the application be reconsidered?

*Comment:* NCGS 159G requires that unfunded applications be reconsidered in the next funding round. The Statute also limits reconsideration to a single additional funding round. It is the Division's intent to develop a streamlined process for applicants to indicate if they desire to resubmit a previously submitted application that is not funded after reconsideration. **No change from Draft IUP/PRS.**

Comment: We recommend that all previously submitted applications not selected for funding be reconsidered each additional funding round, at the system's written request, until all funds are obligated. Options for a written request could be a DWI developed form or a board resolution for reconsideration.

Response: NCGS 159G requires that unfunded applications be reconsidered in the next funding round. The Statute also limits reconsideration to a single additional funding round. It is the Division's intent to develop a streamlined process for applicants to indicate if they desire to resubmit a previously submitted application that is not funded after reconsideration. **No change from Draft IUP/PRS.**

Comment: We assume DWI will continue to fund inventory projects past the October 2024 deadline and, if so, would compliance-related elements be added to the rating system?

Response: Provide the Division can continue to document need for additional LSLR funds, future capitalization grants will be applied for and if awarded made available. No decision on future priority rating systems has been made. **No change from Draft IUP/PRS**

Comment: Encourage reconsideration from an approach that offers funds on an ongoing basis, as it may functionally be "first come, first served." This could incentivize water systems to submit underdeveloped projects, or to submit multiple small projects that could be combined. Two cycles a year is still a good number; I think it reduces administrative burdens on applicants and DWI. Two cycles also give clear deadlines that provide more certainty during application development.

Response: **Section 5.2 has been added to more clearly establish the Division intent to make the funds available over multiple funding rounds.**

Comment: The Division has also historically awarded asset inventory assessment (AIA) grants for several years. Systems that have not applied and received this funding should be encouraged to utilize this program to begin or supplement their lead inventory assessment efforts.

Response: Thank you for the comment and suggestion. **No change from Draft IUP/PRS**

#### Comments on Priority Rating System - Project Purpose

Comment: A project that inventories lead service lines (LSLs) without replacement is the lowest scoring in the Project Purpose category of the PRS. While it can be argued that construction projects that will eliminate LSLs should be given the highest priority, we do not see a need to pit these project purposes against each other. Instead, we propose creating two pots of funding from which to make awards, one for construction projects and one for inventory projects. By segmenting the funding, the Division could ensure that some of the money will go to construction projects while not passing over inventory projects due to lower priority scoring.

Response: It is the Division's intent to prioritize replacement of known LSLs to remove the risk to public health posed by lead without delay. The proposed PRS reflects this priority. Caps on construction project funding per applicant will limit the ability of construction projects from using all the available lead service line funding in any given funding round. The Division will re-evaluate the need to segment the funding into inventories vs. construction funding as more project information becomes available through project solicitation and applications. Staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**

- Comment: We believe Project Purpose should be split into two main sections, one covering construction projects and the other covering inventory projects. This way the same PRS can be used for any applicant, with the nature of the application determining which line items apply. This effort would be worthwhile to make sure water systems that need funding for a lead service line inventory are competitive.
- Response: It is the Division's intent to prioritize replacement of known LSLs to remove the risk to public health posed by lead without delay. The proposed PRS reflects this priority. As noted above, staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**
- Comment: Inventory projects should be weighted equally to replacement projects. The current PRS disfavors inventory projects by awarding these projects fewer points than replacement projects. While we understand the desire to quickly fund projects that remove LSLs, robust system inventories are a necessary first step, and utilities that have not yet performed inventories should not be placed at a disadvantage by the lower scoring.
- Response: Inventorying is an important first step for all water systems, although not every water system that inventories will identify LSLs in their service area. Removal of known LSLs is an urgent step to minimize actual public health risk. The Division's intent is to prioritize replacement of known LSLs to remove the risk to public health posed by lead without delay. As noted above, staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**
- Comment: Recommend revising the Project Purpose section of the PRS to have only two project purposes: 1. Lead Service Line Replacement and 2. Lead Service Line Inventory and Investigation. Having two project purposes would simplify this process and be consistent with the basis of the Lead and Copper Rule Revisions (LCRR) and the goals listed above.
- Response: The proposed PRS reflects the Division's intent to prioritize replacement projects over inventory projects and, among replacement projects, those projects where the location of LSLs is already known and does not require preliminary field investigation since these projects are ready to proceed. **No change from Draft IUP/PRS.**
- Comment: Inventory work should be prioritized in the initial awards to help utilities meet the LCRR compliance deadline. Many utilities have not begun or are just beginning their inventory. Having more of these funds available initially for this work will assist them in this process.
- Response: It is the Division's intent to prioritize replacement of known LSLs to remove the health risk posed by exposure to lead without delay. As noted above, staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**

Comment: It is unclear which Priority Purpose the replacement of lead or galvanized goosenecks, pigtails, and connectors would fall under. If a project is proposing to replace all these appurtenances that have been identified in a water system, our assumption would be to claim Item 1.A as the project purpose. We suggest clarifying this in the PRS and in the guidance if projects solely to replace such appurtenances can be funded as stand-alone projects under this program. This would also include clarification for where these types of projects fall under the maximum funding amount tiers.

Response: A project replacing known lead or galvanized service line appurtenances qualifies for Line Item 1.A Project Purpose points and associated funding cap. Replacement projects that require preliminary field identification of actual appurtenances' material (so called "find and replace" projects) qualify for Line Item 1.B Project Purpose points and associated funding cap. **No change from Draft IUP/PRS.**

Comment: Municipalities lack historical system data on LSLs and are not ready to propose construction projects. Construction and inventorying grants will directly compete against each other. The PRS must ensure that systems that need inventory can complete competitive inventory projects compared to construction projects. We recommend considering funds to be set aside solely for inventorying or make inventorying a higher scoring priority for the initial LSLR funding cycles only.

Response: It is the Division's intent to prioritize replacement of known LSLs to remove the risk to public health posed by lead without delay. As noted above, staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**

Comment: The PRS does not reflect the short-term goal stated in the IUP of working closely with utilities to rapidly complete their LSL inventories by the LCRR October 2024 deadline. Will DWI consider changing the points value for each line item in Category 1, Project Purpose, to reflect completing the inventory as the highest priority project?

- 1.A Replacement of known lines – 15 pts
- 1.B Replacement Find and Fix – 10 pts
- 1.C Inventories – 25 pts

A majority of smaller utilities have not begun an inventory, and these funds will best be served helping them get started.

Response: It is the Division's intent to prioritize replacement of known LSLs to remove the risk to public health posed by lead without delay. The proposed PRS reflects this priority. The Division is pursuing an alternative approach to assisting small water systems that need directed assistance to complete their LSL inventories outside of the competitive funding application process, through the use of set-asides. As noted above, staff support narrowing priority points available for different project purposes to better assure funds are distributed to the different project types. **Priority points for line item 1.A reduced from 25 to 20 points. Section 5.4.1.3 added to reserve a minimum of 50% of funds made available for each funding round for inventory projects.**

Comment: Broadly, projects that replace LSLs and related appurtenances are given the most attention in the IUP and the highest priority in the PRS. This is an understandable decision, and we support the Division's commitment to this effort.

Response: Comment acknowledged. **No change from Draft IUP/PRS.**

Comments on Priority Rating System - Project Benefits

Comment: While in support of keeping the PRS simple, there should be more Project Benefit points for great LSLR projects than for good LSLR projects. For instance, if two LSLR projects both lack Lead Action Level exceedances, the PRS perhaps should consider awarding Project Benefits points to the project with the oldest lines, the leakiest lines, or with lines that can be relocated for resiliency, etc.

Response: All service lines containing lead are considered a public health risk regardless of their age. Leakiness or resiliency are not significant factors with respect to the risk to public health posed by lead in service lines. **No change from Draft IUP/PRS.**

Comment: Lab tests of water samples taken at three addresses in our system where lead goosenecks were identified and replaced yielded both lead and copper concentrations below the respective detection levels in all samples, whether collected before or after the lead gooseneck replacement. This is believed to be the result of using orthophosphate as a corrosion inhibitor in the distribution system. It is felt that additional priority points for Lead Action Level exceedances may favor systems that are not doing their utmost to protect their customers' health and safety.

Response: For protection of public health, projects in areas where lead action level exceedances have been documented should be prioritized over similar projects in areas where exceedances have not been reported. **No change from Draft IUP/PRS.**

Comment: In Category 2 – Project Benefits, we recommend only a single line item for utilities that have already exceeded the current action levels or will exceed the revised levels. The purpose for this program and this work is to address lead levels and replace service lines. There is no practical difference between the two line items, as all applicants should claim and receive the maximum points.

Response: The two line items in the Project Benefits category of the PRS reflect the Division's intent to prioritize removal of lead from service lines that are known to be contributing to the lead action level exceedance (Item 2.A) over inventorying or verifying LSLs that may be the cause of the lead action level exceedance (Item 2.B). **No change from Draft IUP/PRS.**

Comment: For Project Benefits, we believe that a boost in priority should be given to any system able to document a lead action level exceedance. While we understand the Division's attempt to differentiate between scenarios in which an exceedance is found, we believe that any jurisdiction facing this problem deserves increased priority, no matter what project they are proposing. This is especially important given that the action level of fifteen (15) parts per billion (ppb) is well above the established maximum contaminant level goal of zero (0) ppb, reflecting the determination that, according to toxicological and biomedical considerations, there is no level of lead in drinking water deemed protective of public health. We also recommend a second Project Benefit line item that encompasses other indicators of possible lead contamination in a jurisdiction, such as the water quality reports, DHHS testing, and building age factors we mentioned earlier.



Response: The Department's Public Water Supply Section supports the use of the Action Level, as included in the PRS, as the appropriate threshold for additional prioritization. Additional factors may be considered in future prioritization based on funding demand. **No change from Draft IUP/PRS.**

Comment: In Category 2 – Project Benefits, we recommend revising to include communities whose 90th percentile lead concentration will trigger the most recent action level.

Response: The Department's Public Water Supply Section supports use of the 90<sup>th</sup> percentile of lead sampling data in consideration of a Lead Action Levels exceedance. Application guidance will establish documentation requirements to demonstrate a Lead Action Level exceedance for these priority points. **No change from Draft IUP/PRS.**

#### Comments on Affordability Criteria and Principal Forgiveness

Comment: The PRS should use Justice40 designations of disadvantaged communities rather than the LGU Indicators, since the LGU Indicators do not include race, which is a key demographic info for effective equitable distribution. Quite simply, the use of the Climate and Economic Justice Screening Tool (CEJST) would be more accurate in targeting the communities most in need.

Response: The IUP provides an option for communities not eligible for additional subsidy using the affordability criteria to be eligible for additional subsidy for projects benefiting disadvantaged areas within their service area (line 4.D). CEJST is one of several screening tools that the Division would allow as a demonstration that a particular area is disadvantaged. **No change from Draft IUP/PRS.**

Comment: We recommend that the affordability criteria not be used for these projects. The work required by these regulations is very focused on individual connections and private infrastructure. The affordability criteria were originally developed to determine the ability of a utility to pay back a loan, but most of the financial burden for this work will fall on individual homeowners by necessity. The work completed is very location-specific and very focused on the private side. We recommend the focus shift to actual disadvantaged area criteria and not the utility as a whole.

Response: States must provide additional subsidization to water systems that meet the state's disadvantaged community criteria as described in section 1452(d) of SDWA. That SDWA subsection defines a "disadvantaged community" as: "*...the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.*" Staff support the suggestion to ensure assistance is provided to individuals and private infrastructure with financial hardship. Recipients cannot seek funds for costs paid by private landowners. Recipient may use awarded principal forgiveness to offset private side costs. **Section 5.4.2.2 (Disadvantaged Area) principal forgiveness eligibility increased from 25% of the award to 50% of the award up to \$500,000. Section 5.4.2.2.2 updated to remove the 1,000-connection limit for disadvantaged areas. The definition will continue to limit a disadvantaged area to less than ½ the total number of connections served by the applicant.**

Comment: Section 5.3.2.2.2 states "Disadvantaged areas are limited to the lesser of 1,000 service connections or half the number of connections served by the applicant at the time of application." We recommend removing the 1,000 connections cap as it appears to be an arbitrary limit that doesn't match the reality of project implementation. The current proposed limit will result in utilities submitting multiple applications/solicitations and could mean the difference in a utility submitting one application or 20. This will also require utilities and the

Division to potentially administer multiple projects/loans from a single entity. This will also disproportionately affect disadvantaged and underserved communities served by large utilities and limit thousands of low-income households from leveraging the benefits of principal forgiveness. We believe that this limit and definition will result in consequences that are not the intent of the Division or the BIL.

Response: The Division's intent is to continue to use affordability criteria 1. to evaluate community's need for additional subsidy and 2. to establish consideration for projects in disadvantaged areas for communities otherwise not eligible for PF using the affordability criteria. **Section 5.4.2.2.2 is updated to remove the 1,000-connection limit for disadvantaged areas. The definition will continue to limit a disadvantaged area to less than ½ the total number of connections served by the applicant.**

Comment: The 20,000 residential water connections cap also has the potential to exclude some projects in disadvantaged communities from principal forgiveness as there are likely needy water systems that have more than 20,000 connections. Additionally, statewide utility rates (both median and 70th percentile) are often not a good measure of "affordability." Instead, the state should consider other measures of utility rate affordability, such as water rate burden, which considers the percentage of a household's income required to pay water bills. DEQ should also consider including affordability factors based on cost burdens specific to low-income households within a community, accounting for rate increases that would be needed to cover debt service if a project were funded through loans.

Response: The Division and Authority will continue to evaluate the affordability criteria to ensure those communities most in need of assistance receive it. The additional consideration for disadvantaged areas is Section 5.4.2.2.2 provides a pathway for communities with more than 20,000 connections to receive principal forgiveness for projects providing support to areas determined to be disadvantaged. **Section 5.4.2.2 (Disadvantaged Area) principal forgiveness eligibility increased from 25% of the award to 50% of the award up to \$500,000. Section 5.4.2.2.2 updated to remove the 1,000-connection limit for disadvantaged areas. The definition will continue to limit a disadvantaged area to less than ½ the total number of connections served by the applicant.**

Comment: Scaling PF will make this specific funding difficult to administer. If a utility is eligible for PF, we recommend offering 49% PF for all applications/solicitations that qualify for the disadvantaged area criteria (that also incorporates affordability). By administering the funding this way, the PF requirements established in the BIL will be met. This is the same methodology used by the State to administer ARRA funds in 2009. It may also be appropriate to limit all funding to projects serving disadvantaged communities but only if there is a broad interpretation of disadvantaged communities consistent with regulations and expanded EPA guidance.

Response: The DWSRF BLI LSLR funding requirement to provide 49% of the cap grant as additional subsidy is based on the entire cap grant amount. North Carolina has reserved portions of the cap grant for allowable set-asides which decrease the amount of funds available for repayable loan. Establishing a straight 49% PF for all applicants that qualify for PF may not as effectively meet the needs of those recipients eligible for 75% or 100% PF funding as in the DRAFT IUP. **No change from Draft IUP/PRS.**

Comment: Please consider 100-percent principal forgiveness for a broader range of water systems; for some systems, additional debt may be unfeasible for various reasons.

Response: The Division's intent is to continue to use affordability criteria to evaluate community's need for

additional subsidy and to establish consideration for projects in disadvantaged areas for communities otherwise not eligible for PF using the affordability criteria. **Section 5.4.2.2 (Disadvantaged Area) principal forgiveness eligibility increased from 25% of the award to 50% of the award up to \$500,000. Section 5.4.2.2.2 updated to remove the 1,000-connection limit for disadvantaged areas. The definition will continue to limit a disadvantaged area to less than ½ the total number of connections served by the applicant.**

Comment: We support the targeted interest rate of 0% for all lead service line funding projects.

Response: **No change from Draft IUP/PRS.**

Comment: It is expected that the replacement work will be focused on the private side since the majority of the anticipated LSLs identified will be on the private side. We recommend maximizing PF for replacement projects on the private side and serving disadvantaged communities. It is also expected that inventory research and investigation work will be focused on the private side since the majority of the anticipated LSLs and the unknowns identified are on the private side. We recommend maximizing principal forgiveness for the private side for this project type.

Response: The Division's intent is to continue to use affordability criteria to evaluate community's need to additional subsidy and to establish consideration for projects in disadvantaged areas for communities otherwise not eligible for PF using the affordability criteria. **Section 5.4.2.2 (Disadvantaged Area) principal forgiveness eligibility increased from 25% of the award to 50% of the award up to \$500,000. Section 5.4.2.2.2 updated to remove the 1,000-connection limit for disadvantaged areas. The definition will continue to limit a disadvantaged area to less than ½ the total number of connections served by the applicant.**

Comment: Section 5.3.2.2.2 states "Projects for which at least 50% of the project costs are to benefit disadvantaged areas will receive PF for 25% of the award up to \$500,000". If at least 50% of the project costs are benefiting disadvantaged areas and this section is not revised, we recommend PF match that criteria and provide a minimum of 50% principal forgiveness with no cap other than the total funding amount. Limiting PF to \$500,000 per round will result in additional unnecessary applications being submitted and funding administered to maximize the availability of funds to homeowners and work being performed on privately owned infrastructure and property.

Response: Principal forgiveness approach is intended to provide support to communities and areas that are financially disadvantaged. **Update Section 5.3.2 to update principal forgiveness eligibility to disadvantaged areas to 50% of awarded funds.**

Comment: We also hope for clarification from the Division about the use of "existing contamination factors" in order to qualify as a disadvantaged community as outlined in section 5.3.2.2.2. We think this could be a beneficial addition to the scope of what counts as disadvantaged but would like the Division to be more explicit in how it will judge these criteria.

Response: The IUP provides applicants flexibility to describe in the application narrative how a particular area is disadvantaged if there is not available data to demonstrate the area is disadvantaged based on the specified factors. Existing contamination factors are provided as an example of factors that may contribute to an area being disadvantaged. **No change from Draft IUP/PRS**

#### Comments on Public Engagement/Education

Comment: The PRS should add significant points for utilities that collaborate with customers to provide public maps of where replacements are planned, have occurred, and places where the service line material is unknown.

- Response: The LCRR requires that the LSL inventory be made publicly accessible. The inventory must include a location identifier associated with each LSL. Water systems serving greater than 50,000 people must make the inventory available online. **No change from Draft IUP/PRS.**
- Comment: The PRS should add significant points for utilities that collaborate with customers during replacements to ensure that whole house flushing occurs for the customer, and the water system should waive the costs of water from flushing. The household plumbing post replacement flushing should be completed consistent with AWWA's Full lead service line replacement standard ANSI/AWWA C810-17.
- Response: Compliance with all applicable standards and provisions of the LCRR, including post-LSLR flushing of the premise plumbing, will be a condition of the funding offer. **No change from Draft IUP/PRS.**
- Comment: The PRS should add significant points for utilities that collaborate with customers to include customer input on the replacement process, including awareness of the need for filters following installation, the need for non-routine testing, decisions about the material of replacement pipes, prioritization of neighborhoods (street-by-street, without one-offs), and scoping of potential rate hikes.
- Response: Until there is sufficient project demand to justify requiring additional levels of prioritization, staff do not support additional application requirements to the funding program. The draft IUP includes the Division's plan to use available set-aside funds to provide technical assistance to communities. Set-aside funds can be used to support the recommended activities. **No change from Draft IUP/PRS.**
- Comment: The PRS should add significant points for utilities that collaborate with customers to use the best available records and information, as well as predictive modeling to identify LSLs or potential LSLs. Unknown service lines should be evaluated based on the best available information, random sampling, and predictive modeling to maximize the accuracy of the inventory and LSL replacement program.
- Response: Identification of LSLs must be documented using approved methods consistent with LCRR/PWSS requirements. **No change from Draft IUP/PRS.**
- Comment: The PRS should add significant points for utilities that collaborate with customers to identify LSLs (e.g., citizen science) and give input on prioritization and sequence of neighborhoods receiving replacements.
- Response: Identification of LSLs must be documented using approved methods consistent with LCRR/PWSS requirements. The recommendation will be shared with SWIA for consideration. **No change from Draft IUP/PRS.**
- Comment: The PRS should add significant points for utilities that collaborate with customers by providing accessible communication in terms of language and literacy levels.
- Response: Until there is sufficient project demand to justify requiring additional levels of prioritization, staff do not support additional application requirements to the funding program. Set-aside funds can be used to develop resources for public education. The recommendation will be shared with SWIA for consideration. **No change from Draft IUP/PRS.**
- Comment: We appreciate the Division's commitment to assisting communities during this process. We also applaud proactive efforts to learn from stakeholders about the needs of disadvantaged areas, such as the Division's participation in the Water Equity Summit earlier this year. However, we

think the outreach for this funding program needs to be targeted to the most vulnerable communities in order to be effective. In fact, the EPA implementation memo states that the agency, “encourages state SRF programs to identify and proactively reach out to disadvantaged communities that could benefit from this funding but are not yet on a state PPL.” Further, the EPA recognizes that “the communities in greatest need are often the least equipped or prepared to move forward with an SRF project and application.” While we do not know the full range of data that the Division is working with, we suggest a few methods for targeting.

Under EPA rules, every community water system must issue a consumer confidence report to its customers about water quality. The Division can use water quality reports that show lead in a jurisdiction’s drinking water to identify vulnerable areas.

Similarly, where lead tap water monitoring is conducted, either by the water system or by a third party, the results should inform agency outreach priorities. For instance, all water systems must provide a notice of the individual tap results from lead tap water monitoring pursuant to the federal monitoring requirements. Moreover, the NC Department of Health and Human Services (DHHS) is sampling for lead in tap water at childcare centers and staff has confirmed willingness to provide the sampling results to the Division of Water Infrastructure. Although elevated lead levels at the tap could indicate the presence of lead in the infrastructure of the sampled premises, this data is still a helpful indicator of the potential for upstream contamination, and we recommend its consideration when prioritizing agency outreach efforts.

The Division could also use information about the date of construction for buildings within a jurisdiction to identify areas more likely to be vulnerable to lead exposure. In 1986, Congress prohibited the use of lead in pipes, solder, or flux in public water systems.<sup>13</sup> Areas developed before that year will have a higher likelihood of lead service lines and thus deserve higher prioritization for outreach.

These suggestions are just a couple of ways the Division can target its outreach when providing assistance to communities. We are willing to discuss others if that would be helpful to the Division’s work.

**Response:** Technical assistance set-aside funds will be used to help water systems develop inventories. Non-construction project activities may be conducted 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. The State intends to use set-asides from the BIL DWSRF-LSLR capitalization grant for non-construction project activities related to identifying, inventorying and replacing lead service lines. The Division reserves the right to use unused portions of set-asides at a later date.

The State will also allocate up to 15% (\$13,059,300) of the 2022 Capitalization Grant for Local Assistance and Other State Programs to support lead service line inventory, replacement, and funding. The set aside funds will be reduced to make funds available for projects to inventory and replace lead service lines as needed. Adjustments to the set-asides will be made as the project priority list is established for the 2022 grant. **No change from Draft IUP/PRS**

### General Comments

**Comment:** We expect that EPA will issue guidance emphasizing states’ obligations to avoid any disparate impacts or otherwise violate the non-discrimination requirements of Title VI of the Civil Rights Act, or other applicable federal law, with respect to the state’s allocation of federal water infrastructure funds to communities within the state. DEQ should ensure that its affordability and Priority Rating System criteria are designed so that, when applied in practice, they will

satisfy this obligation.

Response: Comment acknowledged. DEQ's response to potential EPA guidance is outside the scope of the IUP. **No change from Draft IUP.**

Comment: The DEQ [Intended Use] Plan should specify the type(s) of materials suitable as replacements, prioritizing public health over immediate lower cost materials. In line with the NRDC guiding principles, we urge the use of copper, not plastic replacement service lines.

Response: Funded projects must meet applicable NC Plumbing Code and/or Administrative Code requirements. **No change from Draft IUP.**

Comment: Full replacement should include not only connectors (e.g., goosenecks or pigtails) and any portion of the LSL that may be under private property, but also where the service line comes in through the wall of the basement and connects to indoor plumbing. Subsidies for lead and/or galvanized premise plumbing replacement downstream of lead service lines need to be provided.

Response: The portions of the water distribution system eligible for replacement by these funds are established by Federal law (BIL). Awarded projects will be required to replace the entire lead service line as defined by the law to be eligible for funding. Consistent with the base DWSRF program, bottled water and premise plumbing are not eligible under this appropriation. **No change from Draft IUP.**

Comment: The DEQ should specify the prompt provision of point-of-use or pitcher filters and replacement cartridges that are certified to remove lead for at least 6 months after LSL replacement (per recent Lead and Copper Rule revisions), along with instructions for filter installation and maintenance in multiple languages. If microbiological violations at the water system rule out the use of filters, provide water buffaloes or bottled water (with recycling/re-use system).

Response: Temporary pitcher filters or point-of-use (POU) devices certified by an American National Standards Institute-accredited certifier to reduce lead during or for a short time period after LSLR projects are eligible costs. **No change from Draft IUP.**

Comment: The DEQ could improve the inventory by requiring utilities not only to report the number of known lead components, but also distinguish the number of pipes known to be absent of lead components from the number of pipes with unknown lead status.

Response: The Lead and Copper Rule Revisions require systems to inventory services as either known lead, known not-lead, or unknown. **No change from Draft IUP.**

Comment: While customer engagement is important, it is critical not to require consent of property owner to replace the LSL, especially since many landlords may be absent and difficult to reach for consent.

Response: Recipients must not exceed their Statutory authorities when completing LSLR projects. **No change from Draft IUP.**

Comment: LSL replacements should be conducted by union labor, be paid prevailing wage, and, where possible, use apprenticeship programs to open employment opportunities to local community members.

Response: BIL DWSRF LSLR requires compliance with Davis-Bacon Wage Rate determinations for all LSLR projects. **No change from Draft IUP.**

Comment: To protect undocumented residents and to maximize public health outcomes, water systems

should not require documents or information that identify the legal status of the resident.

Response: DWI does not intend to require documentation from residents. **No change from Draft IUP.**

Comment: Replace all the service lines on a street or in a neighborhood at once, rather than doing “one-offs” which are expensive, inefficient, and slow down progress.

Response: DEQ will work with funding recipients to ensure the most efficient use of awarded funds. However, neither DEQ nor the funding recipients can require residents with known lead service lines on their properties to replace their lines. **No change from Draft IUP.**

Comment: Replace the entire service line at the same time/same day – not doing the public side one day and the private side (if any) another day.

Response: DWI will work with applicants to ensure the best use of awarded funds. It is likely that this will result in separate contracts for work on the private side versus work on the public side of the service line. **No change from Draft IUP/PRS.**

Comment: Please consider making LSLRs a high priority in future/standard DWSRF criteria, even when not reflected in AMPs/CIPs.

Response: This comment is not related to the DWSRF BIL LSLR funds but will be considered in drafting the 2023 PRS for other funding sources. **No change from Draft IUP/PRS**

Comment: CFR 35.3525(a)(5) requires that a minimum of 15% of the FY2022 base DWSRF and the BIL General Supplemental DWSRF loan assistance be awarded to small systems. This requirement and the Small System Reserve do not apply to the BIL DWSRF-Lead Service line Replacement Funds. Does using DWSRF-Lead Service line Replacement Funds for projects in small systems count toward meeting the Small System Reserve?

Response: Projects funded with LSLR funds do not count towards the requirement for the Base SRF funds to support small systems **No change from Draft IUP/PRS**

#### Comments on the Use of Set-Asides

Comment: DEQ should use set-aside funds to develop and implement a robust technical assistance program that prioritizes and meets the needs of disadvantaged communities and disadvantaged areas and is not limited to small water systems. Such a program is necessary to ensure that water utilities who most need support receive it. Technical assistance must be made available to systems in need and not limited to those serving 10,000 people or less. It will be impossible to meet the State’s goal of focusing funds on the neediest areas without such a program.

Response: The IUP includes set-aside commitments for both Technical Assistance to Small System and Local Assistance and Other State Programs. The Technical Assistance to Small Systems is a set side allowance that must be directed to benefit public water supply systems that service a population of less than 10,000. The Local Assistance and Other State Programs set-aside allowance is not limited by community size. **No change from Draft IUP/PRS**

Comment: In its implementation memo, the EPA recommends using the full technical assistance set-aside available to states to help water systems, especially those in disadvantaged communities. The draft IUP indicates that the Division intends to do so, supporting activities such as “inventorying lead service lines, non-routine lead sampling, funding applications, and/or public engagement.” However, the IUP says that this assistance will be specifically for small water systems serving a population of less than 10,000. We recommend that this technical assistance be available to other jurisdictions that are disadvantaged, not just small systems.

- Response: The IUP includes set-aside commitments for both Technical Assistance to Small System and Local Assistance and Other State Programs. The Technical Assistance to Small Systems is a set side allowance that must be directed to benefit public water supply systems that service a population of less than 10,000. The Local Assistance and Other State Programs set-aside allowance is not limited by community size. **No change from Draft IUP/PRS**
- Comment: We understand that part of the set-aside funding in the IUP is currently meant to “help systems meet requirements established by the Lead and Copper Rule” including “contracts to provide communities technical support to conduct inventories.” However, the IUP also states that these set aside funds will be reduced for the funding of projects based on the priority rating. Our suggestion would include keeping this set aside intact and awarding it to applicants that are specifically seeking to do an inventory project. This would follow the planning/construction split of the Division’s Local Assistance for Stormwater Infrastructure Investments program.
- Response: Staff agree that it is important that funds be available to support inventory work. **Section 5.4.1.3 has been added to establish that a minimum of 50% of funds made available for each funding round will be reserved for inventory only projects.**
- Comment: Considering that over 2,300 water systems in North Carolina, most of which serve populations less than 10,000, will be required to meet the 2024 deadline for lead service line inventories, we recommend the following changes to the funding levels for set-aside activity in Appendix A:
- Increase the allocation for technical assistance to small systems to 4% of the capitalization grant. Many small water systems lack the resources to apply for funding and could benefit from technical assistance providers contracted by DWI and Public Water Supply. This approach would expedite assistance available to small systems and help increase compliance rates.
  - Increase the allocation for the administration of the Public Water Supply Supervision Program to 4% of the capitalization grant. Additional funding would provide increased staffing and resources to support the lead and copper rule program compliance.
- Response: Set-asides for Technical Assistance to Small system are limited to up to 2% of the Cap Grant. These funds will be supplemented as needed with Technical Assistance to Small Systems set-asides from the 2022 SDWSRF Base cap grant as described in the 2022 DWSRF Base IUP. Set-asides for Administration of the Public Water Supply Supervisor Program may be increased in future years if additional funds are needed to support the Section. **No change from Draft IUP/PRS**
- Comment: Include funding options for outreach to build relationships and trust with community members. Different services might include 1) Meetings, 2) Trainings for staff for provide customer service about lead in water and training for community spokespeople to educate the community about lead in water, and 3) Customized literature, educational materials, service line notifications, public advisories, and public educations.
- Response: Activities connected to the identification, planning, design, and replacement of lead service lines are eligible for funding. Project costs eligible for funding determined prior to DWI approval of the project scope. The recipient will need to provide documentation of costs incurred prior to receiving funds from DWI. **No change from Draft IUP/PRS**
- Comment: I was wondering if there might be technical advising on lead and copper compliance sampling and data analysis. Service line inventories and asset management and also technical review of outreach and presentation materials.



Response: DWI has reserved up to 2% of the DWSRF BIL LSLR funds for technical assistance to small systems and another 15% of the DWSRF BIL LSLR funds for local assistance and other state programs that support LSL inventory, replacement, and funding. These set-aside funds must be used for activities connected to the identification, planning, design, and replacement of LSLs that are eligible for funding. DWI intends to use a portion of the set-aside funds to support communities with their inventorying of LSLs. **No change from Draft IUP/PRS**

## **8. Budget and Project Periods**

- 8.1. The budget and project period being requested for the capitalization grant is shown in Appendix B and on EPA Form SF 424.
- 8.2. The anticipated cash draw ratio will be 100% federal for disbursements made from the capitalization grant.
- 8.3. No State match is required for the BIL DWSRF-LSLR Funds.
- 8.4. Loan fees (2% of loan amount) 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 DWSRF 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 staff positions.

## **Appendix A**

### **Set-Aside Activity Description**

**A. Program Administration**

Up to 4% (\$3,482,480 in 2022) of the capitalization grant will be used for program administration. Administration includes management of the program; financial management; development of yearly comprehensive project priority lists; project engineering document review; construction inspections for funded projects; supporting inventorying lead service lines; data management; data analysis; reporting; 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.

**B. Technical Assistance to Small Systems**

The State will allocate up to 2% (\$1,741,240 for 2022) of the capitalization grant to provide technical assistance to small water systems. The Division of Water Resources' Public Water Supply (PWS) Section will provide funding support for staff in NC DEQ headquarters and in regional offices. In addition, the Division of Water Infrastructure or the PWS Section may contract with organizations to assist small systems with inventorying lead service lines, non-routine lead sampling, funding applications, and/or public engagement. Assistance provided with these funds must be directed to benefit public water supply systems that service a population of less than 10,000.

**C. Administration of the Public Water Supply Supervision Program (State Program Management)**

The State will allocate up to 2% (up to \$1,741,240) of the 2022 Capitalization Grant to supplement the Public Water System Supervision Grant from EPA for salary and support for the Lead and Copper Rule program implementation of the SDWA. The set-aside provides funding for staff plus any additional permanent, time-limited, or temporary positions, as resources allow, or contracts, as well as additional staff to cover additional resource needs due to new tasks or reduced state budgets. Adjustments to the set-asides will be made as the project priority list is fully established for the 2022 grant.

**D. Local Assistance and Other State Programs**

The State will allocate up to 15% (\$13,059,300) of the 2022 Capitalization Grant for Local Assistance and Other State Programs to support lead service line inventory, replacement, and funding. The set aside funds will be reduced to make funds available for projects to inventory and replace lead service lines as needed. Adjustments to the set-asides will be made as the project priority list is fully established for the 2022 grant.

a. Lead Service Line Inventory

Support for lead service line inventory may be provided to help systems meet requirements established by the Lead and Copper Rule. Funding may be used for contracts to provide communities technical support to conduct inventories, identify lead service lines in need of replacements to be potentially funded with BIL DWSRF Lead Service Line Replacement Funds, and/or to apply for BIL DWSRF-LSLR or DWSRF funding to address lead service line inventorying and replacement.

## Appendix B

### Intended Use Plan Project Priority List for BIL DWSRF-LSLR

The Intended Use Plan Project Priority List will be supplemented or replaced based on applications received as a part of future funding cycles.

Based on the number of water systems replying to the Division’s request for project information prior to opening the BIL DWSRF-LSLR funds to an application process, the Division expects applications to exceed the project funding amount from the cap grant (\$67,037,740 out of \$87,062,000 cap grant).

#### Identified Potential Projects as of July 1, 2023

Applicant Name	County	Project Type	PWSID	Project Cost	Self-Scored Priority Rating <sup>1</sup>	PF eligible	BIL DWSRF-LSLR Loans <sup>2</sup>	Estimated Binding Commitment <sup>3</sup>
Jonesville, Town of	Anson	Replace	NC0304010	\$1,854,000	45	Yes		
Newton, Town of	Anson	Replace	NC0304012	\$3,998,000	43	Insufficient Documentation		
Walstonburg	Buncombe	Inventory Only	NC0111010	\$25,700	38	Yes		
Maysville, Town of	Caldwell	Inventory Only	NC0114025	\$48,300	36	Yes		
Princeton, Town of	Gaston	Inventory Only	NC0136015	\$56,050	34	Yes		
Anson County	Johnston	Find & Replace	NC0351025	\$2,000,000	31	Yes		
Ansonville, Town of	Yadkin	Inventory Only	NC0299020	\$43,650	30	Yes		
Dunn, Town of	Pender	Inventory Only	NC0471010	\$500,000	30	Yes		
Jonesville, Town of	Burke	Inventory Only	NC0112065	\$400,000	30	Yes		
Henderson	New Hanover	Find & Replace	NC0465010	\$2,000,000	29	Yes		
Troy, Town of	Sampson	Find & Replace	NC0382010	\$1,968,213	29	Yes		
Fayetteville PWC	Catawba	Inventory Only	NC0118020	\$2,558,600	28	Yes		
Pine Level	Harnett	Inventory Only	NC0343010	\$88,150	28	Yes		

<b>Applicant Name</b>	<b>County</b>	<b>Project Type</b>	<b>PWSID</b>	<b>Project Cost</b>	<b>Self- Scored Priority Rating<sup>1</sup></b>	<b>PF eligible</b>	<b>BIL DWSRF- LSLR Loans<sup>2</sup></b>	<b>Estimated Binding Commitment<sup>3</sup></b>
Roseboro	Durham	Inventory Only	NC0332010	\$100,000	28	Insufficient Documentation		
Burke County	Pasquotank	Inventory Only	NC0470010	\$152,230	27	Yes		
Granite Falls, Town of	Cumberland	Replace	NC0326010	\$3,998,000	27	Insufficient Documentation		
West Jefferson, Town of	Wake	Find & Replace	NC0392055	\$1,173,300	27	Insufficient Documentation		
Asheville, City of	Caldwell	Find & Replace	NC0114030	\$2,025,418	26	Yes		
Benson, Town of	Caldwell	Inventory Only	NC0114030	\$250,000	26	Yes		
CFPUA	Vance	Replace	NC0291010	\$2,492,500	25	Yes		
Boonville, Town of	Henderson	Inventory Only	NC0145010	\$55,850	24	Insufficient Documentation		
Kinston, City of	Yadkin	Inventory Only	NC0299010	\$500,000	24	Yes		
Pittsboro, Town of	Yadkin	Inventory Only	NC0299010	\$499,380	24	Yes		
Baton Water Corp	Lenoir	Inventory Only	NC0454010	\$449,060	23	Insufficient Documentation		
Burgaw, Town of	Caldwell	Inventory Only	NC0114010	\$55,450	23	Insufficient Documentation		
Elizabeth City	McDowell	Inventory Only	NC0156010	\$500,000	23	Yes		
Newton, Town of	Jones	Inventory Only	NC0452010	\$400,000	23	Insufficient Documentation		
Ranlo, Town of	Catawba	Inventory Only	NC0118015	\$400,000	23	Insufficient Documentation		
Smithfield, Town of	Catawba	Inventory Only	NC0118015	\$498,880	23	Insufficient Documentation		
Sanford, City of	Onslow	Inventory Only	NC0467035	\$499,810	21	Yes		
Sanford, City of	Onslow	Inventory Only	NC0467035	\$499,810	21	Yes		
Walnut Cove, Town of	Johnston	Inventory Only	NC0351040	\$359,540	21	Insufficient Documentation		
Clinton, Town of	Chatham	Inventory Only	NC0319015	\$446,720	19	Insufficient Documentation		

Applicant Name	County	Project Type	PWSID	Project Cost	Self-Scored Priority Rating <sup>1</sup>	PF eligible	BIL DWSRF-LSLR Loans <sup>2</sup>	Estimated Binding Commitment <sup>3</sup>
Marion, Town of	Johnston	Inventory Only	NC0351050	\$495,800	19	Insufficient Documentation		
Troy, Town of	Gaston	Inventory Only	NC0136034	\$389,020	19	Yes		
Valdese, Town of	Sampson	Inventory Only	NC0382015	\$500,000	19	Insufficient Documentation		
Hendersonville	Lee	Find & Replace	NC0353010	\$547,000	18	Insufficient Documentation		
Granite Falls, Town of	Lee	Inventory Only	NC0353010	\$400,000	17	Insufficient Documentation		
Lenoir	Johnston	Inventory Only	NC0351010	\$500,000	17	Insufficient Documentation		
ONWASA	Montgomery	Inventory Only	NC0362020	\$500,000	16	Insufficient Documentation		
ONWASA	Montgomery	Inventory Only	NC0362020	\$500,000	16	Insufficient Documentation		
Conover, Town of	Burke	Inventory Only	NC0112010	\$500,000	15	Insufficient Documentation		
Durham, City of	Stokes	Inventory Only	NC0285015	\$2,488,000	15	Yes		
Fuquay-Varina	Greene	Inventory Only	NC0440030	\$500,000	14	Insufficient Documentation		
Belmont, Town of	Ashe	Inventory Only	NC0105010	\$499,740	12	Yes		
<b>TOTAL</b>				<b>\$38,716,171</b>				

<sup>1</sup> Self-Scored Priority Rating represents priority rating score potential applicants provided with project information. The PPL with final priority ratings will be updated when complete and eligible applications are submitted. Based on funding requested prior to July 1, 2023, all eligible applications in the PPL will be funded to the funding caps in the IUP.

<sup>2</sup> LSLR Funding will be determined upon submittal of complete and eligible funding application. Anticipated awards in beginning September 2023.

<sup>3</sup> Estimated Binding Commitment will be determined after award.

## Appendix C

### 2022 BIL DWSRF-LSLR Proposed Payment Schedule

(Dependent on timing of award of federal grant)

<u>Payment Quarter</u>	<u>2022 BIL DWSRF- LSLR Payment Amount</u>
April 1, 2023 – June 30, 2023	
July 1, 2023 - September 30, 2023	
October 1, 2023 - December 31, 2023	\$87,062,000
January 1, 2024 - March 31, 2024	
April 1, 2024 - June 30, 2024	
July 1, 2024 - September 30, 2024	
October 1, 2024 - December 31, 2024	
January 1, 2025 - March 31, 2025	
April 1, 2025 - June 30, 2025	
Total	\$87,062,000

## Appendix D

### 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.

<b>2023 PRIORITY RATING SYSTEM for Lead Service Line Replacement Projects Eligible for BIL DWSRF-LSLR Funds</b>			
<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) <b>OR</b>		20
1.B	Project establishes and implements a program to find and replace lead service lines in areas suspected to have lead service lines <b>OR</b>		15
1.C	Project inventories lead service lines (no replacement)		10
<b>Maximum points for Category 1 – Project Purpose</b>			20
<b>Subtotal claimed for Category 1 – Project Purpose</b>			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A	Project addresses/resolves documented Lead Action Level Exceedance <b>OR</b>		5
2.B	Project area has documented Lead Action Level Exceedance		2
<b>Maximum points for Category 2 – Project Benefits</b>			5
<b>Subtotal claimed for Category 2 – Project Benefits</b>			
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
	Reserved for future consideration		
<b>Maximum points for Category 3 – System Management</b>			0
<b>Subtotal claimed for Category 3 – System Management</b>			N/A



<b>2023 PRIORITY RATING SYSTEM for Lead Service Line Replacement Projects Eligible for BIL DWSRF-LSLR Funds</b>			
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>	Residential Connections		
4.A.1	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	Less than 1,000 residential connections		8
<b>4.B</b>	Current Monthly Combined Utility Rates at 5,000-gallon Usage		
4.B.1	Greater than \$79 <b>OR</b>		4
4.B.2	Greater than \$90 <b>OR</b>		6
4.B.3	Greater than \$107 <b>OR</b>		8
4.B.4	Greater than \$129		10
<b>4.C</b>	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark <b>OR</b>		7
4.C.4	Project benefits disadvantaged areas		5
<b>Maximum points for Category 4 – Affordability</b>			25
<b>Subtotal claimed for Category 4 – Affordability</b>			
<b>Total of Points for All Categories</b>			

**Appendix E**  
**Grant Percentage Matrix**

<b>Table 4. Proposed Step 4 (Affordability Matrix)</b>				
<b>Percentile Ranges for grant eligibility categories</b>	<b>Combined Monthly Bills<sup>1</sup> based on 2020 data (\$/5000 gallons)</b>	<b>% Grant or PF</b>	<b>Combined Monthly Bills + Project cost per customer per month<sup>2</sup> based on 2020 data (\$/5000 gallons)</b>	<b>% Grant or PF</b>
> 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%
<p><sup>1</sup> Single utility providers may divide water bill by 0.4 or sewer bill by 0.6 for calculating a combined monthly bill.</p> <p><sup>2</sup> Project cost per customer per month calculated assuming 0% interest financing for 20 years.</p>				