

State Water Infrastructure Authority
Meeting Date: December 8, 2021
Agenda Item H
Approval of Priority Rating Systems for the State Revolving Fund and
State Reserve Programs

Division of Water Infrastructure Staff Report

Background

Session Law 2020-79 created the Viable Utility Reserve (VUR). Pursuant to § 159G-39, the Division must rank each application for the State Water Infrastructure Authority's (Authority) review. The Authority must consider the Division's determination of priority when it reviews an application's priority. The Authority's determination of priority is conclusive. In addition, for the VUR, the Department shall not award a grant from the VUR Fund unless the Local Government Commission (Commission) approves the award of the grant.

The Division and Authority use a Priority Rating System for construction projects seeking funding through the State Revolving Fund and State Reserve Programs. A similar system is applied in the Community Development Block Grant-Infrastructure program. The Priority Rating Systems include four categories:

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

The current systems provide a consistent and transparent methodology for prioritization that aligns with the Authority's Statewide Water and Wastewater Infrastructure Master Plan and with statutory requirements. The Priority Rating System supports applicants in their continued efforts to long-term utility viability.

On September 15, 2021 the Authority approved for public review VUR Priority Points System for Wastewater Projects and Priority Points System for Drinking Water Projects identical to the priority rating system used for the SRF program. The Division provided a public review period from October 4 through November 1, 2021. The following summarizes the comments received, provides staff response to each comment and staff recommendations for action on the Priority Point Systems.

Comments, Responses, and Staff Recommendations

Donna Davis

Project Purpose (Category 1)

Comment: Consider adding criteria that addresses (i.e. awards points for) system improvements that generate additional revenue or reduce financial losses to the system. For example, a sewer rehabilitation project to reduce I&I should diminish the volume of rainwater treated by the wastewater treatment plant and as a result, reduce cost to the system.

Response: *Projects that generate additional revenue or reduce financial losses by addressing I&I or Non-Revenue Water are already strongly incentivized by the Priority Rating System (PRS). The following line items are examples:*

- 1.B Failed Infrastructure – 15 points WW, 25 points DW,
- 1.C – Rehab/Replace Infrastructure – 15 points WW, 12 points DW,
- 1.D, Project Purpose –2 points WW & DD,
- 2.C. SSOs – 15 points WW,
- 2.E.1 (Administrative Orders) – 5 points WW & DW,
- 2.E.2 (NOD/NOV),
- 2.J – Reduce water loss – 3 points DW,
- 3.A.2 – CIP – 2 points WW & DW.

In addition, VUR funds for construction activities are limited to the following project types. All support reducing cost and improving long-term financial viability:

- *Provide physical interconnection and extension of public water or wastewater infrastructure to provide regional service.*
- *Rehabilitate existing public water or wastewater infrastructure.*
- *Decentralize an existing public water system or wastewater system into smaller viable parts.*
- *Fund other options deemed feasible which result in local government units generating sufficient revenues to adequately fund management and operations, personnel, appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services.*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

System Management (Category 3)

Comment: The Priority Rating System awards points for having asset management plans and capital improvement plans but offers no reward for implementation or demonstrated use of the plans.

The current Priority Rating System does not assess or capture if the project will benefit the system financially; nor does it capture or assess if planning tools are incorporated into the actual operation of a system. A failure to focus on the management and financial capacity of systems and implementation of management tools, could result in replacing old infrastructure with new but leaving in place the systemic deficiencies that created the need for assistance.

Consider providing additional prioritization to systems that demonstrate implementation of AMPs or CIPs.

Response: *The Division agrees that implementation of a capital improvement plan (CIP) and asset management plan (AMP) is the desired goal. To earn these points for a CIP, the applicant must document that the CIP has been updated and adopted at least every two years and spans at least ten years, and that the proposed project is consistent with the CIP. These requirements provide reasonable assurance that the CIP is actually implemented and utilized as a financial planning tool by applicants on an ongoing basis.*

The Division only awards AMP points for a plan that is complete and comprehensive, including inventory of assets, condition assessment, CIP, and operation and maintenance plans. Typically, units that earn these points are also demonstrating strong management that would indicate the plans are utilized. However, there may be room to further establish that plans are implemented through changes to the guidance specifically requesting that the applicant explain how they utilize the plan in their regular operations.

In addition, units that have been designated as distressed will be required to develop both short-term and long-term action plans to identify a path toward viability. As the viable utility program is still developing and units are still undergoing studies necessary to prepare these plans, these plans are not currently incorporated in the application process. However, other phases of the funding process, including engineering report and plans and specifications review, will consider incorporating these planning steps. The Division will consider incorporating this longer-term planning into the application process for future funding rounds.

The Division does not recommend any changes to the VUR Priority Rating System for capital projects at this time. The Division will revisit the guidance for Asset Management Plan and Capital Improvement Plan points and look for opportunities to further emphasize implementation of planning tools. As the Viable Utility program continues to develop, the Division will look at options to incorporate the short-term and long-term action plans into the application process.

NC League of Municipalities

Letter of Support

Southern Environmental Law Center

Demographic Data Tracking (Equity)

Comment: Recommend that the Division improve the plan by tracking and analyzing demographic data, including race, color, and national origin, of the population served by VUR funding recipients in order to better understand disparities across our state and serve Environmental Justice communities by ensuring that the benefits of funded projects are equitably distributed.

Incorporating demographic metrics into the VUR Rating System process would mirror recent national efforts to secure funds for environmental justice communities. For example, President Biden set forth a government-wide goal of directing 40 percent of federal investments from certain programs to disadvantaged communities through the Justice40 Initiative. The Initiative's Interim Guidance, released this summer, includes programs related to water infrastructure.

Response: *This comment does not recommend changes to the Division's proposed PRS for VUR projects. The Division has begun working closely with the Department's Title VI and Environmental Justice Coordinator and the Secretary's Environmental Justice and Equity Board to better align programs with federal and state EJ initiatives and goals. This has included geographic analyses of the locations of distressed utilities and disadvantaged communities. As the Department's EJ efforts continue to develop, the Authority may wish to consider racial and additional socioeconomic demographics in their ongoing assessment and modification of the VUR program.*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects. The Division will further investigate application or processes changes to collect demographic data (race, color, national origin), and better align the funding programs with EJ 40 initiative.

NC Conservation Network

Demographics Data

Comment: Recommend that the Division consider the race, color, and national origin of customers served by proposed projects as another factor in the analysis. By prioritizing projects that mitigate existing disparities in the availability and maintenance of water infrastructure, the Division would be better positioned to advance its own goals and comply with its legal nondiscrimination obligations.

Recommend awarding additional points in the VUR Rating System for projects shown to address existing disparity in the provision of water or wastewater services in the applicant's service area.

Response: *As indicated in the previous response, the Division continues to integrate with Department and federal efforts to address historic disparities in infrastructure investment, among other environmental justice issues. The affordability criteria in the proposed PRS partially capture socioeconomic disparities and prioritize the applicants most in need. As the Division continues to collect and analyze data in collaboration with the Department’s EJ Coordinator, the Authority may recommend additional demographic criteria in the VUR program’s distressed system scoring and/or the PRS.*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

Non-Compliance Issues

Comment: Recommend the Division to contemplate a more nuanced approach to addressing “enforcement documents” we encourage the awarding of more points when the proposed project would resolve an NOV than when it would resolve an NOD. By doing so, project investment can respond to more severe and frequent noncompliance.

Response: *The proposed PRS criteria already incentivizes addressing existing issues (e.g., as might be reflected in an NOV), as well as emerging or potential issues (e.g., as might be reflected in an NOD). Per Application guidance, the project application must demonstrate how the project will address the documented NOV or NOD. Administrative or other “low-risk” violations captured in a NOD generally cannot be addressed with a construction project, and those projects do not receive priority for this item. Conversely if a project can address a documented NOD, the Division supports providing equal priority to a project addressing a NOV*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

Loss from Flooding

Comment: The VUR program should at least require, as a minimum measure, that the utility have a plan it is following to move its critical infrastructure out of the floodplain. Recommend that the Division be ready to mandate consideration of future flood risk, again as a threshold of participation in the program, not just a source of priority points.

Response: *The Division is working with geospatial analysts within the Department, along with the North Carolina Office of Resilience and Recovery (NCORR) on inundation mapping so that such opportunities for building resilience into infrastructure planning and prioritization can be better assessed when working with distressed systems. Indeed flood-proofing, as well as other general and specific resilience efforts, are considered when the Division works with applicants on the final project scope, as well as*

approval of the Engineering Report, and Plans and Specifications by the Division. Furthermore, the Authority and Local Government Commission have wide statutory authority to impose specific grant conditions – which could include those pertaining to resiliency – for VUR funded projects. The Division plans to address flood risk and resiliency in pending guidance on conducting Asset Inventory and Assessment (AIA) and Merger and Regionalization Feasibility (MRF) studies.

The proposed PRS already offers a range of points (8 points to 3 points), for Line Item 2.N, “Project provides resiliency for critical system functions”. Because some systems do not have the potential to feasibly move infrastructure out of the floodplain, and because relocation may not be the most pressing issue for some distressed systems, we do not agree with the recommendation to mandate floodplain relocation for all awards but will continue working with applicants to ensure that resiliency is addressed in project planning.

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

North Carolina Coastal Habitat Protection Plan

Special Waters Points

Comment: The draft Priority Rating System for Viable Utility Reserve (VUR) wastewater and drinking water construction project funding relates directly to several recommended actions in the draft 2021 CHPP Amendment. Within the Amendment, several issue papers are relevant to water quality management and include including Protection and Restoration of Submerged Aquatic Vegetation (SAV) through Water Quality Improvements, Protection and Restoration of Wetlands through Nature-based Solutions, and most importantly, Wastewater Infrastructure Solutions for Water Quality Improvement which includes the following recommended actions:

- By 2024, DEQ will request that funding programs under the purview of the SWIA give additional priority for projects with a direct benefit to sensitive estuarine waters, including SA waters, fish nursery areas, and impaired waters, particularly those adversely impacting estuarine fish and their habitat (7.1).
- By 2025, DCM and DWR will work with NC Office of Recovery and Resiliency (NCORR) and local governments in the coastal counties to develop strategies regarding flood-proofing wastewater infrastructure; siting new and relocating existing infrastructure away from sensitive estuarine waters and floodplains; upgrading sewer infrastructure; and develop strategic priorities for public and natural infrastructure improvements (7.3).

The prioritization of wastewater projects that relocate or flood-proof infrastructure within floodplains and directly benefit impaired subwatersheds and waters classified as HQW, ORW, or SA within the draft Priority Ranking System for VUR would be significant steps towards implementing these recommendations and are greatly supported by the CSC. The Marine Fisheries Commission has designated Primary Nursery Areas (PNAs), Anadromous Fish Nursery Areas, and submerged aquatic vegetation habitat which are extremely important for sustainable fisheries, and provide beneficial ecosystem services. Some but not all of these areas may be covered under the rating for HQW and ORW. The CSC suggests that a specific rating category be added for projects that would directly benefit these ecological and sensitive coastal resources. The CSC also supports the criteria for the priority rating of wastewater projects especially those that provide buffer restoration, stormwater BMPs, and nutrient reductions. The draft priority rating system and the administration of funding from the State Revolving Fund and State Reserve Programs will start to address water quality issues which will benefit North Carolina's coastal habitats providing increased ecosystem and community resilience.

Response: *We are glad the CSC supports the prioritization system in providing priority points for projects that relocate infrastructure out of floodplain areas and other resiliency measures (2.N) and those that provide buffer restoration (1.F.2), stormwater BMPs (1.G) and nutrient reductions (1.G.1). The Division recommends that any changes to the priority rating system that expand priority for the protection of the suggested water classifications be considered as part of the future updates to the Priority Rating systems (VUR, SRF, and SRP funds). The Division will review the water classifications and points to determine if additional water classifications should be added to Line item 2.P which gives credit for special waters (10 points) as well as impaired waters in Line Item 2.O (20 points). Pending this review with the Division of Marine Fisheries and the Division of Water Resources, the Division may recommend changes to the VUR Priority Rating System at a future date.*

The Division does not recommend any changes at this time to the VUR Priority Rating System for capital projects.

Lumber River Council of Governments

Rates

Comment: In regard to the Draft Viable Utility Reserve Priority Rating System, I wish to draw attention to small municipalities that are either shrinking or stagnant in population numbers. During the recent application period, our staff worked with a couple of towns that for many years were prosperous communities with higher income individuals with large homes. Now the communities are losing population and the data on the communities does not give an accurate synopsis of the situation. Many of those residents that remain are no longer in the labor force and are not accurately represented by the unemployment percentages. The majority of the population is older. A few are receiving public/private retirement payments along

with Social Security thus placing them in higher income brackets. While these individuals are few, their financial situation can skew the numbers for the entire community. It is very difficult, maybe impossible, to collect the true cost of the system thru water and sewer rates because the base is too small and, in many cases, too poor to support the system. Perhaps another look at the benchmarks could be taken.

Response: *The Division will investigate the potential of incorporating an LGU indicator that captures the elderly population or other measures to address affordability issues not currently captured. Staff will present this information at a future meeting when the Authority reviews the affordability criteria.*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

NC Chamber of Commerce

Funding Accessibility

Comment: Accessibility issues: The General Assembly created the VUR rating system to assist with capital for distressed municipal water and wastewater systems; however, the VUR can currently only be accessed by public water systems struggling to obtain capital or operational expertise to effectively manage municipal water or wastewater systems. In many cases, small communities accessing this fund face perpetual challenges that may not be addressed by these grant resources. The Division of Water Infrastructure estimates that water infrastructure needs in North Carolina range between \$17 and \$26 billion. Grant funding is limited, and even with the availability of over \$1 billion in federal ARPA funds, the capital needs of municipal water systems, including distressed systems, far outweigh available funding levels.

Response: *The Division acknowledges the comment. The Division does not recommend any changes to the VUR Priority Rating System for capital projects.*

Public-Private Partnerships

Comment: The Division of Water Resources should encourage public-private partnerships to address water and wastewater infrastructure needs across the State and prioritize grant funding for those municipalities that develop partnerships with experienced, private providers in order to augment capital needs, improve operational efficiencies, and leverage construction procurement and management expertise.

Response: *The VUR Priority Rating System provides points for regionalization projects, which may include public-private partnerships and other regionalization opportunities. Communities are encouraged to consider all feasible alternatives when conducting an MRF study, identification and evaluation of potential alternatives are part of the MRF process, and the Authority and Local Government Commission are able to*

require that certain alternatives be considered as a condition of an MRF grant. Identifying and requiring certain alternatives as part of the application and prioritization process would significantly delay the application process.

The Division further notes that for distressed systems, regionalization options will typically be evaluated during an MRF study. MRF “partnering” systems may include regulated systems. No priority points are earned for the type or number of “partnering” systems – regulated or otherwise.

Division staff recommend no change to the VUR Priority Rating System. Comments will be considered during the development of guidance related to regionalization.

Selling Wastewater Systems to Private Entities

Comment: Additionally, as part of any assessment process for determining water and wastewater grant funding priorities, the State should require grant seekers to assess the value and viability of selling such systems to private, regulated providers as a potential long-term solution to the chronic challenges facing municipal water and wastewater operators.

Fairly evaluating the benefits of selling or leasing waster systems to private providers should be a regular consideration of those managing public systems.

Response: *Communities are encouraged to consider all feasible alternatives when conducting an MRF study. Identification and evaluation of potential alternatives are part of the MRF process. No priority points are earned for the type or number of “partnering” systems – regulated or otherwise. Identifying and requiring certain alternatives as part of the application and prioritization process would significantly delay the application process.*

Division staff recommend no change to the VUR Priority Rating System. Comments will be considered during the development of guidance related to regionalization.

NC Homebuilders Association

Use of Private Utilities

Comment: To fully consider all best available options to bolster the viability of water and wastewater infrastructure while keeping utility rates low for ratepayers, we ask that the Division give proper consideration to the role that regulated Investor-Owned Utilities (IOU) can play to meet the significant infrastructure needs across North Carolina.

As a result, we recommend that funding in support of regionalization studies should include an evaluation of the option to work with a regulated IOU as a partnering utility.

Response: *Communities are encouraged to consider all feasible alternatives when conducting an MRF study. Identification and evaluation of potential alternatives are part of the MRF process. No priority points are earned for the type or number of “partnering” systems – regulated or otherwise. Identifying and requiring certain alternatives as part of the application and prioritization process would significantly delay the application process.*

Division staff recommend no change to the VUR Priority Rating System. Comments will be considered during the development of guidance related to regionalization.

Aqua, North Carolina and Carolina Water Service of North Carolina

Public/Private Partnerships

Comment: Removing regulatory hurdles will require an embrace of innovative policy solutions. The private sector stands ready to partner and assist bringing necessary capital and water and wastewater utility expertise. In addition, the private sector can provide innovative solutions and purchasing power that can save time, money and improved project and utility management.

Thus, the government’s role in breaking down barriers and establishing the framework needed to unleash broader private investment is essential.

Response: *The VUR Priority Rating System does not address regulatory hurdles related to private utilities. Additionally, the Division acknowledges the willingness of the private sector to assist in addressing issues related to viability.*

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

Category 3

Comment: Priority Rating System used for the Merger / Regionalization Feasibility (MRF) grant program & Priority Rating System used for study grants within the Viable Utility Reserve (VUR) grant program

Units should be required to evaluate the option of working with regulated utilities when receiving an MRF grant. Regulated utilities should be classified as a “partnering utility” under this category. Thus, we would propose for units which include regulated utilities as an option in their evaluation, they receive additional point(s) in the priority rating system.

Providing grant funds simply to construct or repair infrastructure without requiring long-term management plans for infrastructure, organization and finances does not move a unit towards viability. Therefore, we request the priority rating system include regulated utilities as an evaluated option for each of the priority rating systems and provide applicants additional points for including regulated utilities in their evaluation.

Response: *These comments appear to be more related to the Merger / Regionalization Feasibility (MRF) grant program and will be considered as part of the MRF evaluation guidance. However, the Division acknowledges the potential impacts related to capital projects.*

As previously indicated, the Division encourages utilities to consider all alternatives developed during study grants funded under the VUR including ones associated with private utilities. Furthermore, ALL distressed units are statutorily required to develop “long-term management plans for infrastructure, organization and finances” as suggested in the comment.

The Division does not recommend any changes to the VUR Priority Rating System for capital projects.

Staff Recommendation

- Division staff ask that the Authority approve the complete VUR Priority Points System for Wastewater Projects and Priority Points System for Drinking Water Projects as shown below.

PRIORITY RATING SYSTEM for Wastewater Projects

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

Line Item #	Category 1 – Project Purpose	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed infrastructure issues		15
1.C	Project will rehabilitate or replace infrastructure		15
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		10
1.E – 1.E.2	Reserved for Other Programs		
1.F	Project will provide stream/wetland/buffer restoration		15
1.F.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration BMPs		5
Line Item #	Category 1 – Project Purpose (Continued)	Claimed Yes/No	Points
1.F.2	Restoration project that includes restoration and / or protection of riparian buffers to at least 30 feet on both sides of the stream		5

PRIORITY RATING SYSTEM for Wastewater Projects			
1.G	Project will provide stormwater BMPs to treat existing sources of pollution		20
1.G.1	Project that includes BMPs or BMPs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
1.H	Project will provide reclaimed water/usage or rainwater harvesting/usage		15
	Maximum Points for Category 1 – Project Purpose		25
	Subtotal claimed for Category 1 – Project Purpose		
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.B	Reserved for Other Programs		
2.C	Project provides a specific environmental benefit by replacement, repair, or merger; includes replacing failing septic tanks		15
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, OR		5
Line Item #	Category 2 – Project Benefits (Continued)	Claimed Yes/No	Points
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger		10
2.G – 2.H	Reserved for Other Programs		

PRIORITY RATING SYSTEM for Wastewater Projects			
2.I	Project improves treated water quality by adding or upgrading a unit process		3
2.J – 2.M	Reserved for Other Programs		
2.N	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR		5
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, OR		4
2.N.5	Project improves ability to assure continued operation during flood events OR		4
2.N.6	Project downsizes infrastructure related to buyouts OR		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source		3
2.O	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
2.P	Project <u>directly benefits</u> waters classified as HQW, ORW, Tr, SA, WS-I, WS-II, WS-III* or WS-IV* (* these classifications must be covered by an approved Source Water Protection Plan to qualify)		10
2.Q	Project will result in elimination of an NPDES discharge		3
2.R	Primary purpose of the project is to achieve at least 20% reduction in energy use		5
	Maximum Points for Category 2 – Project Benefits		35
	Subtotal claimed for Category 2 – Project Benefits		

PRIORITY RATING SYSTEM for Wastewater Projects

Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan		2
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%		5
3.C – 3.E	Reserved for Other Programs		
	Maximum Points for Category 3 – System Management		15
	Subtotal claimed for Category 3 – System Management		
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 OR		4
4.B.2	Greater than \$90 OR		6
4.B.3	Greater than \$107		8
4.B.4	Greater than \$129		10
Line Item #	Category 4 – Affordability (Continued)	Claimed Yes/No	Points

PRIORITY RATING SYSTEM for Wastewater Projects			
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark* OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark* OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark*		7
4.D – 4.E	Reserved for Other Programs		
	Maximum Points for Category 4 – Affordability		25
	Subtotal claimed for Category 4 – Affordability		
Total of Points for All Categories			

* Lower median household income, higher poverty rates, higher unemployment, lower population growth, and/or lower property valuation per capita compared to the state benchmark. Points for these indicators, along with points for smaller number of residential connections and higher water/wastewater rates listed under “Category 4 – Affordability”, prioritize assistance to community applicants with greater socioeconomic constraints.

More information about these indicators can be found in the established [Priority Rating System Guidance and Form for Clean Water State Revolving Fund, Drinking Water State Revolving Fund, State Wastewater Reserve, and State Drinking Water Reserve Funding Programs](#), which serves as the basis of the proposed Priority Rating System for the Viable Utility Reserve. Formal guidance will be developed for the final Priority Rating System for the VUR.

PRIORITY RATING SYSTEM for Drinking Water Projects

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

Line Item #	Category 1 – Project Purpose	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed infrastructure issues		25
1.C	Project will rehabilitate or replace infrastructure		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
1.E – 1.H	Reserved for Other Programs		
	Maximum Points for Category 1 – Project Purpose		25
	Subtotal claimed for Category 1 – Project Purpose		
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.A1.	Reserved for Other Programs		
2.B	Project provides a specific public health benefit to a public water supply system by replacement, repair, or merger; includes replacing dry wells, addressing contamination of a drinking water source by replacing or additional treatment; or resolves managerial, technical & financial issues		20
2.C	Reserved for Other Programs		
2.D	Project addresses promulgated but not yet effective regulations		10
2.E	Project directly addresses enforcement documents		

PRIORITY RATING SYSTEM for Drinking Water Projects			
2.E.1	Project directly addresses an EPA Administrative Order for a local government Applicant located in a Tier 1 county, or addresses an existing or pending SOC, or a DENR Administrative Order, OR		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
2.F	Project includes system merger		10
2.G	Project addresses documented low pressure		10
2.H	Project addresses contamination		
2.H.1	Project addresses acute contamination of a water supply source OR		15
2.H.2	Project addresses contamination of a water supply source other than acute OR		10
2.H.3	Project addresses an emerging compound without a MCL but above a health advisory level		7
2.I	Project improves treated water quality by adding or upgrading a unit process		3
2.J	Water loss in system to be rehabilitated or replaced is 30% or greater		3
2.K	Project provides a public water system interconnection		
2.K.1	Project creates a new interconnection between systems not previously interconnected OR		10
2.K.2	Project creates an additional or larger interconnection between two systems already interconnected which allows one system's public health water needs to be met during an emergency OR		10
2.K.3	Project creates any other type of interconnection between systems		5
2.L – 2.M	Reserved for Other Programs		
2.N	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside the 100-year floodplain to outside the 500-year floodplain OR		8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain OR		5
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain OR		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, OR		4

PRIORITY RATING SYSTEM for Drinking Water Projects			
2.N.5	Project improves ability to assure continued operation during flood events OR		4
2.N.6	Project downsizes infrastructure related to buyouts OR		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including backup electrical power source		3
2.O – 2R	Reserved for Other Programs		
	Maximum Points for Category 2 – Project Benefits		35
	Subtotal claimed for Category 2 – Project Benefits		
Line Item #	Category 3 – System Management	Claimed Yes/No	Points
3.A	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	Applicant has a current Capital Improvement Plan (CIP) that spans at least 10-years and proposed project is included in the plan		2
3.B	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5%		5
3.C	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
3.D	Applicant has implemented a water loss reduction program		5
3.E	Applicant has implemented a water conservation incentive rate structure		3
	Maximum Points for Category 3 – System Management		15
	Subtotal claimed for Category 3 – System Management		
Line Item #	Category 4 – Affordability	Claimed Yes/No	Points
4.A	Residential Connections		
4.A.1	Less than 10,000 residential connections OR		2
4.A.2	Less than 5,000 residential connections OR		4
4.A.3	Less than 1,000 residential connections		8
4.B	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 OR		4

PRIORITY RATING SYSTEM for Drinking Water Projects			
4.B.2	Greater than \$90 OR		6
4.B.3	Greater than \$107		8
4.B.4	Greater than \$129		10
4.C	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark* OR		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark* OR		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark*		7
4.D	Reserved for the CDBG Program		
4.E	Reserved for the CDBG Program		
	Maximum Points for Category 4 – Affordability		25
	Subtotal claimed for Category 4 – Affordability		
Total of Points for All Categories			

* Lower median household income, higher poverty rates, higher unemployment, lower population growth, and/or lower property valuation per capita compared to the state benchmark. Points for these indicators, along with points for smaller number of residential connections and higher water/wastewater rates listed under “Category 4 – Affordability”, prioritize assistance to community applicants with greater socioeconomic constraints.

More information about these indicators can be found in the established [Priority Rating System Guidance and Form for Clean Water State Revolving Fund, Drinking Water State Revolving Fund, State Wastewater Reserve, and State Drinking Water Reserve Funding Programs](#), which serves as the basis of the proposed Priority Rating System for the Viable Utility Reserve. Formal guidance will be developed for the final Priority Rating System for the VUR.

Agenda Item H Attachment

November 1, 2021

VIA ELECTRONIC MAIL

Cathy Akroyd
Public Information Office
Division of Water Infrastructure
1633 Mail Service Center
Raleigh, NC 27699-1633
Cathy.Akroyd@ncdenr.gov

Re: Public Comment: Draft Priority Rating System for the Viable Utility Reserve Water and Drinking Water Capital Projects

The Division of Water Infrastructure (“DWI”) solicited comments on the following:

- Draft Priority Rating System for the Viable Utility Reserve Water and Drinking Water Capital Projects

On behalf of Aqua North Carolina (“Aqua”) and Carolina Water Service of North Carolina (“CWSNC”), we submit the following comments for DWI to consider.

General Comments on Infrastructure Investment

Across North Carolina, communities are faced with massive challenges to replace critical water and wastewater infrastructure. The need for infrastructure investment is clear. Over the next twenty years, the Department of Environmental Quality (“DEQ”) estimates capital costs for water system needs range from \$10 billion to \$15 billion, while costs for wastewater system needs range from \$7 billion to \$11 billion. North Carolina has nearly 550 water systems owned by units of local government operating in the state. There are nearly 300 publicly owned sewer systems and treatment plants that collect, treat and discharge more than 1.4 billion gallons of wastewater per day.

North Carolina has approximately 118 distressed water and wastewater units, as jointly designated by the Local Government Commission (“LGC”) and the State Water Infrastructure Authority (“SWIA”). Furthermore, there are approximately twenty-three (23) units just above the threshold of distressed status classified as: “at-risk units.”

While the North Carolina General Assembly is recommending over \$1.5 billion to support clean drinking water and reduce water pollution to address critical needs facing water and wastewater systems across North Carolina, traditional funding sources such as grants, and loans are limited. Even given this amount of capital assistance, some governmental entities lack the resources required to undertake capital construction projects that are necessary to satisfy critical public needs. The challenge to adequately address the substantial need to replace North Carolina’s water and wastewater aging infrastructure will take both significant capital and experience. Recipients of public funds must have minimum standards in place to demonstrate application of the funds produce the results intended and prospective rates are set to adequately cover remaining capital, debt service, and operating costs. As such, consideration of assistance from all viable sources are imperative to maximize the effectiveness of low cost or grant funds.

As DEQ is considering a matching program for funding allocation to communities, other considerations should be made to provide accountability and maximize the availability of designated funds available for distribution to eligible candidates. It is important to keep in mind that upgrading the vast and complex systems is not the sole responsibility of any one group, organization, or entity.

We know that no sector, whether public or private, can solve the state's water and wastewater challenges on its own. The more parties involved in collaborative problem-solving, the greater the changes that can be made. Partnerships with regulated utilities¹ can offer an effective financial mechanism for governmental entities to secure public projects to satisfy critical public needs that cannot be otherwise met. Larger regulated utilities, like Aqua and CWSNC, have access to low-cost funding, professional functional expertise, and are geographically mobile with existing operations spread across the state. Aqua and CWSNC already own and operate water and wastewater systems across more than two-thirds of its 100 counties and may be interested in acquiring the assets of units² who do not have the financial resources or expertise to manage their on-going operations let alone the public funds, once granted, that are intended to replace their existing infrastructure. Regulated utilities can and should be part of the solution to address aging infrastructure across North Carolina.

The current regulatory framework fails to create the economic incentives needed to drive productive partnerships that leverage public resources and private sector expertise. Removing these regulatory hurdles will require an embrace of innovative policy solutions.

It is critical the public and private sectors come together to address our ongoing water infrastructure needs and maximize public funds to be granted to assist in this effort while demanding a minimum level of accountability from recipients of awards. From projects to replace water mains, pipelines, and hydrants, and the installation of advanced metering technology to help reduce water leaks, to enhanced treatment capabilities improving efficiency and reliability, the investments made must ensure units are positioned to continue to meet customer needs in the communities that rely upon them.

Understanding there are many competing demands for infrastructure resources, if we are to meet our state's future needs and preserve quality of life, the public sector alone cannot continue to cover the cost and absorb the risk of degrading infrastructure. While some categories of infrastructure may benefit more from direct state investment, water and wastewater infrastructure is particularly conducive to leveraging private sector resources. Large, professional, regulated private utilities with access to low-cost capital, such as Aqua and CWSNC, already operate in counties in or near many of the distressed and at-risk units who need public assistance. As we look across our state, there are many communities within a county or geographical region with operations that would benefit from a regional, or consolidated, approach that offers centralized experienced utility management with shared equipment, resources and licensed personnel which regulated utilities have a platform to provide. This approach to public-private partnership delivers many benefits to customers, from better quality and more reliable service to stabilized rates and proactive investments in water and wastewater systems. The private sector stands ready to partner and assist bringing necessary capital and water and wastewater utility expertise. In addition, the private sector can provide innovative solutions and purchasing power that can save time, money and improved project and utility management.

Together, the public and private sectors can work more closely to propel water and wastewater infrastructure into a more modern, technologically advanced, and integrated network that enables prosperity long into the future. Unfortunately, several barriers still exist which prevent the investment of private capital into government-owned water and wastewater utility infrastructure projects. As a result, currently, North Carolina is leaving dollars – and expertise - on the table. Thus, the

¹ For the purpose of public comment, "regulated utilities" are defined as investor-owned utilities regulated by the North Carolina Utilities Commission.

² For the purpose of public comment, "units" are defined as city or county government utilities, local sanitary districts and water authorities.

government's role in breaking down barriers and establishing the framework needed to unleash broader private investment is essential.

Comments on the rating system: Category 3 – System Management

Priority Rating System used for the Merger / Regionalization Feasibility (MRF) grant program & Priority Rating System used for study grants within the Viable Utility Reserve (VUR) grant program

The goal of MRF grant program is to allow a unit to identify and then work with potential partner utilities to investigate, challenges, benefits, and implications to potentially work together under an agreement. Units should be required to evaluate the option of working with regulated utilities when receiving an MRF grant. Under the MRF, a partnering unit is defined as a utility that will be included in the options considered in the study. Regulated utilities should be classified as a "partnering utility" under this category. Often units do not consider or understand the capabilities offered by or benefits of collaborating or partnering with regulated utilities. Including regulated utilities in the evaluation and an acknowledgment letter from a partnering unit does not bind or commit the partnering unit to act on the findings of the study. Thus, we would propose for units which include regulated utilities as an option in their evaluation, they receive additional point(s) in the priority rating system.

MRF grants support units as they study the advantages of regional economies of scale in management, access to capital, and capacity of water and wastewater facilities. As stated in the 2017 North Carolina's Statewide Water & Wastewater Infrastructure Master Plan ("Master Plan"), providing grant funds simply to construct or repair infrastructure without requiring long-term management plans for infrastructure, organization and finances does not move a unit toward viability. Furthermore, the Master Plan recognized that when units are not viable or are not on a path to become viable, solutions are needed that go beyond simply constructing or repairing infrastructure. The Master Plan states when, "permanent solutions can be created when utility governing boards explore potential advantages of a range of partnership solutions including public-private partnerships or privatization." Regulated utilities can provide units struggling with these basic tenets the needed foundation of support to assure these objectives are met.

The evaluation process in providing management and infrastructure solutions under the MRF and VUR grants should include regulated utilities as a viable option to be considered to provide struggling units necessary assistance with their water and/or wastewater systems. Regulated utilities have access to capital for near-term and long-term capital planning which should be leveraged by units for the match portion of the grant funding. Core competencies of regulated utilities include providing asset management planning, financial planning, identifying operational efficiencies, developing sustainable environmental solutions while bolstering efforts to manage costs by analyzing expenses and revenues. Furthermore, regulated utilities can provide units an opportunity for efficient risk transfer and allow regulated utilities to focus on creating better utility infrastructure for units.

Regulated utilities should be part of the resource toolbox. In doing so, it would allow regulated utilities to focus solely on creating a better infrastructure within the community they serve and allow units to address other critical matters within their community. Regulated utilities have a talented pool of professionals to execute and provide solutions to complex challenges who are dedicated and focused exclusively on utility management. Providing grant funds simply to construct or repair infrastructure without requiring long-term management plans for infrastructure, organization and finances does not move a unit towards viability. By being involved with utility management, ownership and operation, regulated utilities will implement financial strategies for near-term and long-term infrastructure investments with sufficient funding, operation, management, and replacement. Furthermore, regulated utilities will promote solutions while bolstering efforts to manage cost through:

- Creating an Asset Management Plan
- Analyzing revenues and expenses
- Effective environmental compliance
- Effective budgeting
- Near-term financial planning and rate setting
- Long-term capital planning
- Assessing options for lowering energy use
- Assessing options for reducing water loss
- Assessing options for reducing I/I
- Cybersecurity implantation
- Resiliency planning

Given the geographic presence of water and wastewater systems across North Carolina by Aqua and CWSNC, not including an evaluation of regulated utilities within the Merger/Regionalization Feasibility (MRF) or Viable Utility Reserve (VUR) grant program is a missed opportunity and fails to evaluate all viable options for merger and regionalization and strategic options for units under the MRF and VUR program. Therefore, we request the priority rating system include regulated utilities as an evaluated option for each of the priority rating systems and provide applicants additional points for including regulated utilities in their evaluation.

Sincerely,

Shannon V. Becker
President, Aqua North Carolina

and

Donald H. Denton, III
Sr. Vice President, East Operations
Corix Regulated Utilities
Carolina Water Service of North Carolina



DR. MARTIN POSEY
PETE KORNEGAY
Marine Fisheries Commission

YVONNE BAILEY
DAVID ANDERSON
Environmental Management Commission

BOB EMORY
LARRY BALDWIN
Coastal Resources Commission

Coastal Habitat Protection Plan Steering Committee

27 October 2021

Dear Cathy Akroyd and the Division of Water Infrastructure,

The Coastal Habitat Protection Plan (CHPP) is mandated by legislation to serve as a guide and resource to assist the Marine Fisheries, Environmental Management, and Coastal Resources commissions in the development of goals and recommendations for the continued protection and enhancement of fishery habitat in North Carolina. The CHPP Steering Committee (CSC), which consists of two members from each environmental commission, recommends priority issues to address, provides policy oversight, reviews draft recommended actions, and serves as liaisons back to their respective regulatory commissions. The CHPP is drafted by the Department of Environmental Quality, reviewed every five years and is currently under way with the draft 2021 CHPP Amendment.

The draft Priority Rating System for Viable Utility Reserve (VUR) wastewater and drinking water construction project funding relates directly to several recommended actions in the draft 2021 CHPP Amendment. Within the Amendment, several issue papers are relevant to water quality management and include including Protection and Restoration of Submerged Aquatic Vegetation (SAV) through Water Quality Improvements, Protection and Restoration of Wetlands through Nature-based Solutions, and most importantly, Wastewater Infrastructure Solutions for Water Quality Improvement which includes the following recommended actions:

- By 2024, DEQ will request that funding programs under the purview of the SWIA give additional priority for projects with a direct benefit to sensitive estuarine waters, including SA waters, fish nursery areas, and impaired waters, particularly those adversely impacting estuarine fish and their habitat (7.1).
- By 2025, DCM and DWR will work with NC Office of Recovery and Resiliency (NCORR) and local governments in the coastal counties to develop strategies regarding flood-proofing wastewater infrastructure; siting new and relocating existing infrastructure away from sensitive estuarine waters and floodplains; upgrading sewer infrastructure; and develop strategic priorities for public and natural infrastructure improvements (7.3).

The prioritization of wastewater projects that relocate or flood-proof infrastructure within floodplains and directly benefit impaired subwatersheds and waters classified as HQW, ORW, or SA within the draft Priority Ranking System for VUR would be significant steps towards implementing these recommendations and are greatly supported by the CSC. The Marine Fisheries Commission has designated Primary Nursery Areas (PNAs), Anadromous Fish Nursery Areas, and submerged aquatic vegetation habitat which are extremely important for sustainable fisheries, and provide beneficial ecosystem services. Some but not all of these areas may be covered under the rating for HQW and ORW. The CSC suggests that a specific rating category be added for projects that would directly benefit these ecological and sensitive coastal resources. The CSC also supports the criteria for the priority rating of wastewater projects especially those that provide buffer restoration, stormwater BMPS, and nutrient reductions. The draft priority rating system and the administration of funding from the State Revolving Fund and Sate Reserve Programs will start to address water quality issues which will benefit North Carolina's coastal habitats providing increased ecosystem and community resilience.

Sincerely,

Dr. Martin Posey
Chair, Coastal Habitat Protection Plan Steering Committee
Martin.posey.mfc@ncdenr.gov

From: [Jan H. Maynor](#)
To: [Akroyd, Cathy R](#)
Subject: [External] Draft Viable Utility Reserve Priority Rating System
Date: Monday, November 1, 2021 3:50:00 PM

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In regards to the Draft Viable Utility Reserve Priority Rating System, I wish to draw attention to small municipalities that are either shrinking or stagnant in population numbers. During the recent application period, our staff worked with a couple of towns that for many years were prosperous communities with higher income individuals with large homes. Now the communities are losing population and the data on the communities does not give an accurate synopsis of the situation. Many of those that remain are no longer in the labor force, and are not accurately represented by the unemployment percentages. The majority of the population is older. A few are receiving public/private retirement payments along with Social Security thus placing them in higher income brackets. While these individuals are few in number, their financial situation can skewer the numbers for the entire community. It is very difficult, maybe impossible, to collect the true cost of the system thru water and sewer rates because the base is too small and in many cases too poor to support the system. Perhaps another look at the benchmarks could be taken.

Thanks for letting me comment.

Jan

Janet Hester Maynor
Special Projects Planner

Lumber River Council of Governments
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Pembroke, NC 28372
<https://www.lumbrivercog.org>
(910)618-5533



November 1, 2021

Cathy Akroyd
Public Information Office
Division of Water Infrastructure
1633 Mail Service Center
Raleigh, NC 27699-1633
Cathy.Akroyd@ncdenr.gov

Re: Public Comment: Draft Priority Rating System for the Viable Utility Reserve Water and Drinking Water Capital Projects

Dear Ms. Akroyd.

On behalf of the NC Chamber and the statewide business community, we are writing to voice our support for public-private partnerships and equal access to grants for those partnerships – and specifically in this case, to provide comments regarding the Priority Rating System for the Viability Utility Reserve (VUR).

The NC Chamber represents member companies in 21 industry segments of the North Carolina economy, including the leading private, regulated providers of water and wastewater services. These are job creators who provide services to hundreds of thousands of North Carolinians and millions of customers across numerous states; however, they are facing frequent roadblocks with the current VUR system. The points below outline those obstacles but also some useful solutions.

- **Accessibility issues:** The General Assembly created the VUR rating system to assist with capital for distressed municipal water and wastewater systems; however, the VUR can currently only be accessed by public water systems struggling to obtain capital or operational expertise to effectively manage municipal water or wastewater systems. In many cases, small communities accessing this fund face perpetual challenges that may not be addressed by these grant resources. The Division of Water Infrastructure estimates that water infrastructure needs in North Carolina range between \$17 and \$26 billion. Grant funding is limited, and even with the availability of over \$1 billion in federal ARPA funds, the capital needs of municipal water systems, include distressed systems, far outweigh available funding levels.
- **Public-private partnerships can help:** Private water providers serve customers in a majority of North Carolina counties and possess deep expertise in the construction, management, and operations of water and wastewater systems. Additionally, they have access to private capital that could augment the resources of available state and federal funds. These partnerships leveraging private capital and grant funding would help pave the way for North Carolina's municipal and county water systems and help increase overall investment in this critical infrastructure.

The Division of Water Resources should encourage public-private partnerships to address water and wastewater infrastructure needs across the State and prioritize grant funding for those municipalities that develop partnerships with experienced, private providers in order to augment capital needs, improve operational efficiencies, and leverage construction procurement and management expertise. Such partnerships with experienced private providers can ensure that public grant funds are leveraged and put to use effectively.

- **Considerations of selling wastewater systems to private entities:** Additionally, as part of any assessment process for determining water and wastewater grant funding priorities, the State should require grant seekers to assess the value and viability of selling such systems to private, regulated providers as a potential long-term solution to the chronic challenges facing municipal water and wastewater operators. Aging infrastructure, environmental challenges, and an aging municipal workforce stress the safe, cost-effective, and efficient operations of municipal water and wastewater systems. Fairly evaluating the benefits of selling or leasing waster systems to private providers should be a regular consideration of those managing public systems.

On behalf of the NC Chamber and the North Carolina business community, we thank the Division of Water Infrastructure for giving us the opportunity to submit these comments.

Thank you,

Gary J. Salamido

President and CEO
NC Chamber



From: [Will Hendrick](#)
To: [Akroyd, Cathy R](#)
Cc: [Grady McCallie](#)
Subject: [External] Draft VUR Priority Rating System Comments
Date: Monday, November 1, 2021 2:28:13 PM
Attachments: [image001.png](#)

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Dear Ms. Akroyd,

The North Carolina Conservation Network appreciates the opportunity to submit these comments on the draft Priority Rating System for Viable Utility Reserve (“VUR Rating System”) funding of drinking water and wastewater projects. We appreciate the efforts of the Division of Water Infrastructure to score applications for financial assistance submitted by local governments with utilities designated as distressed by the State Water Infrastructure Authority and the Local Government Commission. We write to offer recommendations for your consideration regarding how the VUR Rating System can better advance equity, consider past system noncompliance, and improve resilience when prioritizing investment in critical water infrastructure in North Carolina.

Advancing Equity

Investment in water infrastructure can help address existing inequity and further the commitment of the Department of Environmental Quality to achieving environmental justice by improving access to water and wastewater services for North Carolinians in communities of color and low-wealth. We support the proposed prioritization of projects in Tier 1 counties and consideration of affordability metrics, as both will likely increase investment in low-wealth communities. Similarly, we support the prioritization of investment in communities with lower median household income, higher poverty rates, higher unemployment, lower population growth, and/or lower property valuation per capita compared to the state benchmark. However, we urge the Division to also consider the race, color, and national origin of customers served by proposed projects as another factor in the analysis. By prioritizing projects that mitigate existing disparities in the availability and maintenance of water infrastructure, the Division would be better positioned to advance its own goals and comply with its legal nondiscrimination obligations. Without consideration of additional demographic information, achievement of Departmental equity goals and compliance with relevant laws will be more difficult.

As a recipient of federal funding, the agency is obligated to comply with Title VI of the Civil Rights Act of 1964 and its implementing regulations. These laws prohibit the use criteria or methods of administering agency programs which have the effect of subjecting individuals to discrimination because of their race, color, or national origin or substantially impair accomplishment of the objectives of the program with respect to individuals of a particular race, color, or national origin. See 40 C.F.R. § 7.35(b). The Division will struggle to meet these obligations without collecting and considering

data regarding the race, color, or national origin of the beneficiaries of grants awarded from the Viability Utility Reserve. And, rather than merely collect the data, the agency could better advance equity by awarding additional points in the VUR Rating System for projects shown to address existing disparity in the provision of water or wastewater services in the applicant's service area.

Considering Past Noncompliance

We appreciate the consideration, in multiple sections of the draft VUR Rating System, of past system performance as a factor influencing grant prioritization. The draft appropriately considers, for instance, resolution of "failed infrastructure issues," the need to "rehabilitate or rebuild infrastructure," and the age of critical system components. However, we urge the Division to contemplate a more nuanced approach to addressing "enforcement documents" than the one proposed.

Specifically, in the draft, 3 points may be awarded if the proposed project "directly resolves a Notice of Violation or Notice of Deficiency." However, these notices do not reflect equal levels of noncompliance, and their resolution should not be treated as equally beneficial. [Since at least 2011](#), the Department has implemented "a three-tiered approach to enforcement, with the severity of enforcement response increasing for each tier." A Notice of Deficiency is usually issued for "minor violations resulting in little or no harm to the environment or public health" that "often represent the first offense committed by the violator." In contrast, a Notice of Violation is typically issued for "more serious violations where there is documented or moderate to severe potential for harm to the environment or public health" and prior history of noncompliance. We appreciate the prioritization elsewhere in the draft of projects resolving noncompliance identified by DEQ that is associated with greater threats to the environment, as demonstrated in the proposed award of additional points when a project addresses an existing or pending SOC or a DEQ Administrative Order. Similarly, we encourage the awarding of more points when the proposed project would resolve an NOV than when it would resolve an NOD. By doing so, project investment can respond to more severe and frequent noncompliance.

Avoiding repetitive losses

While the problem of fiscally-nonviable utilities has compounded over time, the intense flooding caused by Hurricanes Matthew (2016) and Florence (2018) forced the issue for a number of vulnerable utilities, destroying vital infrastructure and forcing state leaders to take stock of the utilities' financial straits. Natural hazards were an important catalyst for the creation of the Viable Utility Reserve, and we suspect will be a common reason for new utilities to be identified as distressed in the future.

We appreciate that the proposed VUR Rating System offers points for projects that move critical infrastructure out of the 100-year or 500-year floodplains or hardens infrastructure to withstand floods and continue operating. That said, this is too low a bar; meaningful resilience should be a threshold for receipt of funding, not just a source of points. North Carolina cannot afford to sink Viable Utility Reserve funds into infrastructure that will be washed away by increasingly frequent and severe storms. To the extent that a utility desperately needs investment to replace failing or

destroyed infrastructure, and there is no place to put it in the near term that is not vulnerable, the program should at least require, as a minimum measure, that the utility have a plan it is following to move its critical infrastructure out of the floodplain.

Second, we note that North Carolina's evolving flood strategies include plans for development of a 'decision support tool' to identify not just current flood risk (as per outdated FEMA-approved flood maps) but to project *future* risk from rain-driven and riverine flooding and storm surge. To the extent that the VUR Rating System continues to guide the program for some years to come, we recommend that the Division be ready to mandate consideration of future flood risk, again as a threshold of participation in the program, not just a source of priority points.

Further in the future – and outside the narrow question of the priority points – it may make sense for the Division to use flood forecasting to identify which utilities could be shoved into eligibility for the program by a single bad storm. Those utilities may merit separate investments in hazard mitigation to keep them out of the program.

Conclusion

Thank you for considering these comments. If you have any questions, please contact the undersigned.

Will Hendrick
Environmental Justice Advocate
hendrick@ncconservationnetwork.org

Grady McCallie
Policy Director
grady@ncconservationnetwork.org



Will Hendrick
NC Conservation Network
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November 1, 2021

Cathy Akroyd
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Cathy.Akroyd@ncdenr.gov

RE: Public Comment: Draft Priority Rating System for the Viable Utility Reserve Water and Drinking Water Capital Projects

On behalf of the more than 14,000 firms which comprise the North Carolina Home Builders Association (NCHBA), we acknowledge that dependable infrastructure is essential in providing affordable housing for North Carolina residents. The families we aim to serve through homeownership are negatively impacted when utility providers are unable to deliver economically sound water and wastewater service.

Please know that we applaud the effort to invest in water and wastewater infrastructure, and as the Division considers the priority rating system for the Viable Utility Reserve Water and Drinking Water Capital Projects we encourage ample consideration of all solutions to address expanding utility services, rehabilitating existing water and wastewater infrastructure, and addressing operational inadequacies of distressed Local Government Units. To fully consider all best available options to bolster the viability of water and wastewater infrastructure while keeping utility rates low for ratepayers, we ask that the Division give proper consideration to the role that regulated Investor-Owned Utilities (IOU) can play to meet the significant infrastructure needs across North Carolina. Regulated IOUs are very capable and their centralized operations can serve to potentially address the failure of a broad spectrum of distressed Local Governmental Units.

As a result, we recommend that funding in support of regionalization studies should include an evaluation of the option to work with a regulated IOU as a partnering utility. We believe that with all options and resources on the table, the Division can be better equipped to provide the best infrastructure solutions for North Carolina citizens. Thank you for your service to our great state and for the opportunity to provide this public comment.

Sincerely,

Chris Millis
Director of Regulatory Affairs
North Carolina Home Builders Association
5580 Centerview Drive, Suite 415
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(919) 676-9090



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nclm.org

October 29, 2021

Ms. Cathy Akroyd
NC Division of Water Infrastructure
1633 Mail Service Center
Raleigh, NC 27699-1633

Ms. Akroyd,

The NC League of Municipalities (NCLM) is a membership organization of over 540 municipalities many of which operate water and wastewater systems, and NCLM appreciates opportunity to comment on the draft Priority Rating System for Viable Utility Reserve-funded drinking water and wastewater infrastructure projects (priority rating system).

NCLM believes that the NC Division of Water Infrastructure (NC DWI) and NC State Water Infrastructure Authority (SWIA) have appropriate expertise to create a priority rating system that will make best use of the Viable Utility Reserve funding and ensure it is used to facilitate viable operation and management of utilities. NCLM appreciates that the priority rating system is consistent with the other funding programs the DWI implements. Additionally, we support that the priority rating system prioritizes assistance to community applicants with greater socioeconomic constraints since those need more assistance in reaching a viable solution.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sarah W. Collins". The signature is written in a cursive, flowing style.

Sarah W. Collins
Legislative and Regulatory Counsel
NC League of Municipalities

VIABLE UTILITY RESERVE Priority Rating System Public Comments

Given the intent of the VIABLE UTILITY RESERVE is to aid local government water and sewer system entities exhibiting signs of failure (which include both financial and operational weaknesses) in generating sufficient revenues to adequately fund management and operations, personnel, appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services, I suggest adding criteria for the Priority Rating System that addresses (i.e. awards points for) system improvements that generate additional revenue or reduce financial losses to the system. For example, a sewer rehabilitation project to reduce I&I should diminish the volume of rainwater treated by the wastewater treatment plant and as a result, reduce cost to the system. Likewise, a project to reduce water loss in a distribution system should decrease the system's expense for water treatment or purchased water and generate both improved system reliability and lower cost.

Anecdotally, I am aware of a single water system replacement project that reduced losses of 3,000,000 gallons per month of purchased water. At the same time, it reduced the flow of I&I into the treatment plant at a rate of 100,000 gallons per day. The savings in the cost of purchased water alone netted this small system more than \$75,000 annually. Not only did the replacement of the distribution system improve water quality and reduce the need for distribution system operators to respond to complaints. It also improved the bottom line and provided additional resources to help pay the debt associated with the project.

Criteria which address the financial improvements as well as the structural and environmental benefits should motivate projects and therefore unit decision makers to consider and focus on improving the system's physical infrastructure with a goal toward improving the bottom line not just fixing the operational issues. Some of these units became distressed due to economic impacts beyond their control. Others became distressed due to missed opportunities to invest in preventive maintenance activities and capital planning. The Priority Rating System awards points for having asset management plans and capital improvement plans but offers no reward for implementation or demonstrated use of the plans. Treatment plants, collections systems, and distribution systems are inspected annually for compliance and effective operation. A notation of assessment of implementation (or lack thereof) of sound operational practices could be included as a criterium for funding points. Likewise, projects identified as improving or replacing critical infrastructure identified in an applicant's Asset Management Plan could be awarded additional points.

The current Priority Rating System does not assess or capture if (or how well) the project will benefit the system financially; nor does it capture or assess if (or how well) required planning tools are incorporated into the actual operation of a system. A failure to focus on the management and financial capacity of systems and implantation of management tools, could result in replacing old infrastructure with new but leaving in place the systemic deficiencies that created the need for assistance. In the end, there would be new pumps and pipes encumbered with the same manner of operation that led to unsustainable systems and the need for remediation.

Donna Davis
Utilities Analyst, Debt Section
State and Local Government Finance Division
Office of the State Treasurer
3200 Atlantic Avenue, Raleigh, NC 27604
Email: Donna.Davis@NCTreasurer.com
Office: (919) 814-4293

November 1, 2021

Submitted Via Electronic Mail

Ms. Cathy Akroyd
Division of Water Infrastructure
1633 Mail Service Center
Raleigh, NC 27699-1633
Cathy.Akroyd@ncdenr.gov

Re: Draft VUR Priority Rating System Comments

Dear Ms. Akroyd:

The Southern Environmental Law Center appreciates the opportunity to submit these comments on the draft Priority Rating System for Viable Utility Reserve (“VUR Rating System”) wastewater and drinking water construction project funding. We applaud the State Water Infrastructure Authority and the Local Government Commission for creating a comprehensive document that allows both applicants and the public to ascertain the Division of Water Infrastructure’s (“Division”) priorities as it works to address the challenges facing water utilities across the state. North Carolina has the responsibility to manage drinking water and wastewater utilities in a manner that protects public health,¹ as well as to facilitate the long-term viability if these utilities.² The VUR Rating System is a positive step towards ensuring both of these obligations are met in *all* communities across the state.

As discussed in more detail below, we support the adoption of the VUR Rating System, but we recommend that the Division improve the draft plan by tracking and analyzing demographic data, including race, color, and national origin, of the population served by VUR funding recipients in order to better understand disparities across our state and serve Environmental Justice communities by ensuring that the benefits of funded projects are equitably distributed.

The lack of equitable access to safe and reliable drinking water and wastewater services in America is well documented. Research conducted at the state and national level shows that rural communities, communities with a higher percentage of people of

¹ N.C. Gen. Stat. § 130A-312.

² N.C. Division of Water Infrastructure, *North Carolina’s Statewide Water and Wastewater Infrastructure Master Plan: The Road to Viability* (2017), at 2.

color, and communities with a higher proportion of low-income citizens experience disproportionate burdens related to nearly every facet of water service. For example, communities of color pay disproportionately higher water and wastewater rates than their white neighbors, and this burden is expected to grow as utilities increase water rates to accommodate failing infrastructure.³ To make matters worse, water shutoffs in cities across the country are largely concentrated in Black and Latinx neighborhoods.⁴ Nationally, low-income communities and communities of color are 40 percent more likely to live with contaminated drinking water,⁵ and in North Carolina multiple sources of water contamination are disproportionately located in communities of color.⁶ Meanwhile, although research suggests communities of color are served by water systems with higher rates of violations,⁷ enforcement of drinking water violations typically takes longer in these same communities.⁸ On the wastewater front, Black Americans are less likely to have access to proper sewer infrastructure, leading to increased health concerns.⁹ In North Carolina specifically, a disproportionate number of communities of color are entirely excluded from municipal water and wastewater services.¹⁰ Additionally North Carolina research suggests that extending water service to populations relying on private wells can improve public health.¹¹

Unfortunately, race and ethnicity also predict the likelihood that a community will receive federal drinking water funding. Using nearly a decade of data, the Environmental Policy Innovation Center (“EPIC”) analyzed the distribution of Drinking Water State Revolving Funds (“DWSRF”) to determine whether there are ways in which the aid could be distributed more equitably.¹² The study found that “communities with larger white populations are slightly more likely to receive DWSRF assistance” than those with larger

³ Coty Montag, *Water/Color A Study of Race and the Water Affordability Crisis in America's Cities*, NAACP Legal Defense and Educational Fund (2019), at 4, 3–31.

⁴ *Id.* at 31; Maria Zamudio & Will Craft, *So Close, Yet So Costly*, APM Reports (Feb. 7, 2019), <https://www.apmreports.org/story/2019/02/07/great-lakes-water-shutoffs>.

⁵ Montag, *supra* note 3, at 59; Kristi Pullen Fedinick, *Watered Down Justice* (Mar. 27, 2020), <https://www.nrdc.org/resources/watered-down-justice>.

⁶ See e.g., Steve Wing et. al, *Environmental Injustice in North Carolina's Hog Industry*, 108 Env't Health Perspectives 225 (March 2000) (discussing the disparate adverse impact of industrial hog operations on communities of color in NC); Jennifer Norton et. al, *Race, Wealth, and Solid Waste Facilities in North Carolina*, 115 Env't Health Perspectives 1344 (Sept. 2007) (showing solid waste facilities in NC are disproportionately located in communities of color and low wealth).

⁷ Maura Allaire et al, *National Trends in Drinking Water Quality Violations*, 115 Proceedings of the National Academy of Sciences 2078 (Feb. 2018).

⁸ NRDC, *New Drinking Water Report: Communities of Color More Likely to Suffer Drinking Water Violations for Years* (Sept. 24, 2019), <https://www.nrdc.org/media/2019/190924>.

⁹ Inga T. Winkler & Catherine Coleman Flowers, *'America's Dirty Secret': The Human Right to Sanitation in Alabama's Black Belt*, 49 Colum. Hum. Rts. L. Rev. 181 (2017), at 187.

¹⁰ Hannah Leker and Jacqueline Gibson, *Relationship Between Race and Community Water and Sewer Service in North Carolina*, 13 PLoS ONE (2018), at 1.

¹¹ Nicholas B. DeFelice et al, *Reducing Emergency Department Visits for Acute Gastrointestinal Illnesses in North Carolina (USA) by Extending Community Water Service*, 124 Env't Health Perspectives 1583 (Oct. 2016).

¹² Katy Hansen, et al., *Drinking Water Equity: Analysis and Recommendations for the Allocation of the State Revolving Funds*, Environmental Policy Innovation Center (2021), at iii.

Black, Latinx, and Indigenous populations.¹³ This disparity compounds the inequities mentioned above: that rural communities, low-income communities, and communities of color face higher rates of water contamination, less affordable rates, and more barriers to access to water services.¹⁴ The research completed by EPIC was based on aggregated national data related to federal drinking water funding, as distributed through the states. We are concerned that the national pattern of disparity in fund distribution through the analyzed state programs may also hold true for North Carolina.

We encourage the Division to collect and analyze the data necessary to evaluate present and historical racial inequity in drinking water and wastewater funding. As drafted, the VUR Rating System contains impressive detail designed to ensure funding for economically vulnerable communities. Specifically, we appreciate that Category 4 allocates additional points to low-income, high-poverty and unemployment, and low-growth communities. Given the known disparities communities of color face in access to water and wastewater resources, we strongly encourage the Division to track demographic data, alongside the economic data, in VUR funding applications. This way, the State can know which communities are applying for and receiving VUR assistance, and can tailor the program over time to ensure it is reaching the communities who need it most. Indeed, in its report, EPIC recommends tracking recipient demographics for these very reasons.¹⁵ If the data shows racial or ethnic disparity, the Division could later add demographic indicators to the Category 4 Local Government Unit Indicator list. Adding demographic indicators including race and ethnicity would allow the Division to ensure that resources are allocated consciously and equitably to those that face systemic harm.

Incorporating demographic metrics into the VUR Rating System process would mirror recent national efforts to secure funds for environmental justice communities. For example, President Biden set forth a government-wide goal of directing 40 percent of federal investments from certain programs to disadvantaged communities through the Justice40 Initiative.¹⁶ The Initiative's Interim Guidance, released this summer, includes programs related to water infrastructure.¹⁷

DEQ has acknowledged that it can only accomplish its mission of “[p]rovid[ing] science-based environmental stewardship for the health and prosperity of all North Carolinians...if fighting for Environmental Justice is part of every DEQ activity.”¹⁸ Through the Viable Utilities Program, the Division has a great opportunity to change how

¹³ *Id.* at 17. The researchers at EPIC also found that only 1.53 to 13.4 percent of utilities actually apply for DWSRF assistance. Further, in many states, including North Carolina, less than 10 percent of eligible drinking water utilities receive DWSRF assistance. *Id.* at 9–10. Additionally, larger utilities are more likely to receiving DWSRF funding, suggesting that perhaps capital and staff are needed to even embark on the aid application process. *Id.* at 15.

¹⁴ *Id.* at 22.

¹⁵ *Id.* at 22.

¹⁶ Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad* (Jan. 27, 2021), at Sec. 223.

¹⁷ Memorandum M-21-28, *Interim Implementation Guidance for the Justice40 Initiative* (July 20, 2021), available at <https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf>.

¹⁸ *Environmental Justice*, N.C. Dep't of Env't Quality, <https://deq.nc.gov/outreach-education/environmental-justice> (last visited Oct. 26, 2021).

North Carolina prioritizes the long-term viability of the state's water and wastewater systems. We encourage the Division to consider race and ethnicity as equally important to economic vulnerability in determining a community's access to funding to help with running a viable system. Without this consideration, the Division misses an important opportunity to identify and address inequity in our water and wastewater systems.

Thank you for considering these comments. If you have any questions, please contact us at 919-967-1450 or at the emails listed below.

Sincerely,



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From: [Eskaf, Shadi](#)
To: [Haynie, Jennifer](#)
Subject: FW: [External] Comments on VUR Point Ranking System - Clean Water for North Carolina
Date: Wednesday, December 1, 2021 2:47:13 PM
Attachments: [SWIA Privatization.pdf](#)

From: Rachel Velez <rachel@cwfn.org>
Sent: Thursday, November 18, 2021 1:11 PM
To: goodwinwater <goodwinwater@gmail.com>; edgoscicki@outlook.com; Maria Hunnicutt <mhunnicutt@ncbrwa.com>; bmpelissier@gmail.com; Adams, Melody J <melody.adams@ncommerce.com>; Eskaf, Shadi <shadi.eskaf@ncdenr.gov>; Edmundson, Sharon G <sharon.edmundson@nctreasurer.com>
Subject: [External] Comments on VUR Point Ranking System - Clean Water for North Carolina

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Dear State Water Infrastructure Authority Members,

I am writing on behalf of Clean Water for North Carolina to ask that the Authority and DWI not encourage the corporate takeover of distressed water and sewer systems by allocating extra points to those that have evaluated privatization in their recovery plans for VUR funding.

Our organization's comments on this matter are further expressed in the attached PDF.

Please let me know if you have any questions, and thank you for your consideration on this matter,

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Rachel Velez

Program Director, Water Justice

Communications Manager

Clean Water for North Carolina

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November 2021

Dear members of the State Water Infrastructure Authority,

Clean Water for North Carolina is a nonprofit organization focused on advocating for clean, safe, affordable water. We are writing to you regarding statements made at the November 10th Viable Utility Reserve Committee meeting. Specifically, on behalf of the 280,000+ customers of private water and sewer utilities in NC, we are writing to urge DEQ's Division of Water Infrastructure to not consider whether a system has evaluated privatization as an option in their recovery plans, and to not offer extra points for proposals that would privatize infrastructure in the agency's ranking of local utility applications for Viable Utility Reserve funding.

Private water companies such as Aqua North Carolina and Carolina Water Service claim to provide a solution to municipal-owned water and wastewater utilities facing financial and operational struggles. We understand the appeal of selling systems to provide an injection of capital which temporarily improves the local budget. However, there are many examples showing that the privatization of these services is often to the detriment of water service, affordability, and public accountability. We encourage you to explore all other options for the VUR funding priority ranking system that promote sustainable, transparent, locally-owned, and affordable drinking water systems.

In NC, the largest private, for-profit water utility is Aqua North Carolina (a subsidiary of Essential Utilities, Inc.). Aqua NC mainly owns and operates small community well systems and sewage treatment plants or resells treated water/wastewater in subdivisions. Our organization has heard from hundreds of residents with complaints about water quality, service, and, above all, the rates charged by Aqua. The experiences they report illustrate several of the major problems with privatization in general:

(1) Private water companies usually cut costs in order to increase profit margins for their shareholders, typically by eliminating employees or reducing benefits. Those types of savings then result in worse customer service, maintenance backlogs, wasted water, and slower response times.

Aqua NC operates more than 1400 community wells in 50+ NC counties, yet they only claim to have 175 employees statewide, presumably including administrative and call center staff. Customers complain of leaks that go on for days at a time, and the NC Utilities Commission's Public Staff has repeatedly advised the company to do a better job flushing water service lines to prevent buildup of minerals. Customers have stated in

comments to the Utilities Commission that the company puts cost savings for its shareholders first, failing to prioritize quality service to its customers.

Another way private companies seek to cut costs is doing the bare minimum to comply with state and federal drinking water quality regulations. In North Carolina, Aqua customers in many areas complain of high levels of iron and manganese in tap water. These naturally occurring minerals cause water discoloration, odors, and stained and damaged appliances, yet fall within all legal requirements for safe tap water. The company was not willing to address these problems until it was provided with additional financial incentives at the expense of customers.

Aqua NC has continued to benefit from rate increases and surcharges, along with other perks approved by the North Carolina Utilities Commission. Rate increases for water have been accompanied with promises from Aqua to the rate payers that the causes for concern about water quality and customer service were being addressed by the company investing in improvements to infrastructure and providing better communication between the company and its customers.

Today, the issues of poor water quality and poor customer service continue. Aqua NC is required to file bi-monthly water quality reports to the NCUC as stipulated in their 2020 Rate Case Order to continue to address secondary contaminant concerns in their service area.

(2) Privatization typically results in higher costs of water service for residents. Across the US, private utilities charge on average 59% more for water service than publicly-owned utilities. Naturally, when selling a water or wastewater asset, a municipality seeks the highest bidder. However, private companies typically seek to recover the purchase cost by raising customer rates on an annual basis.

The purported economic efficiency of private companies is based on the principle of free market competition, but water utilities are intrinsically monopolies in their service areas. To minimize costs, private companies may forego maintenance, system improvements and water conservation programs, or significantly reduce staff. In many cases, individual household bills increase after privatization of a system. If privatization truly creates cost-savings, it benefits the company, not customers.

In NC, Aqua's statewide rates are 40% higher than the NC median for water and 69% higher than the median for wastewater.

The company's flat fee for sewer service is currently \$75.38 per month and rising steadily. NC customers have expressed a desire to be billed based on how much water they consume, rather than paying a flat charge, which burdens small families and individuals. The high flat fee is an example of a rate structure that benefits company profits but does not treat households equally or give residents an incentive to conserve water.

(3) Privatization results in fewer opportunities for public input, and less transparency.

While residents have opportunities to speak to locally elected officials and community water boards to express their opinions and concerns, a private company is governed by its Board and shareholders. Private utilities point to state regulatory hearings, saying these provide an opportunity for input on rate increases, but most Utilities Commissioners are appointed, not elected, and in NC they have historically not responded to consumer concerns. Access to records and information about water service and rates is limited.

Since 2008, the NC Utilities Commission has allowed water rates to go up by more than 35% for Aqua NC customers, despite large turnouts and public opposition at regulatory hearings.

NC lawmakers have created a loophole allowing private utilities to raise rates to cover certain expenses without public hearings through Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) rate mechanisms, further reducing the ability of customers to voice questions and concerns.

Some financial and reporting documents filed with the NC Utilities Commission are confidential and unavailable for public review.

We hope that this information is useful as you review the point ranking system for the Viable Utility Reserve funding. We've included a list of supporting documents with further information on water system privatization in NC, including testimonies from Aqua NC and Carolina Water Service customers. Please feel free to contact us if we can provide any further information or direct contacts with residents in NC on private drinking water systems.

Yours truly,

Rachel Velez
Clean Water for North Carolina
Water Justice Program Director
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Supporting Documents

1. REPORT: [Privatizing North Carolina's Water, Undermining Justice](#)

Clean Water for North Carolina documents the impacts of water privatization on communities across the state, describing the growing impacts private water and sewer companies are having on water affordability, customer service, and water quality.

2. REPORT: [The Stealthy Takeover of NC Drinking Water: A Snapshot of Corporate Privatization](#)

In rural and suburban North Carolina, very small drinking water systems are common sources of household drinking water, typically drawing groundwater from one or more wells. Two profitable investor-owned corporations, Aqua America and Utilities Inc., have quietly purchased many of these systems over the past two decades. This report presents a snapshot of corporate privatization throughout North Carolina.

3. BRIEF: [Letter to Attorney General Josh Stein Requesting Intervention in 2018 Aqua NC Rate Case](#)

4. LETTER: [NC Private Water & Sewer Customers on NCUC Appointments](#)

