

**North Carolina
Bipartisan Infrastructure Law
Drinking Water State Revolving Fund
Emerging Contaminants Funds
Intended Use Plan
Fiscal Year 2024**

**Draft for Public Review
5/28/2024**

The Priority Rating System in this IUP was approved after a public comment period in March 2024.
The Division is seeking public comments on the proposed IUP and Project Priority List.

Main changes from the FY2022 - FY2023 IUP are identified in red font text for clarity.

Division of Water Infrastructure

North Carolina Department of Environmental Quality

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1. Introduction

This Intended Use Plan (IUP) provides details on the Division of Water Infrastructure's (Division) intent to administer the Drinking Water State Revolving Fund Emerging Contaminants (DWSRF-EC) and to apply for the FY2024 Bipartisan Infrastructure Law (BIL) DWSRF-EC capitalization grant. **North Carolina's FY2024 BIL DWSRF-EC capitalization grant allotment is \$21,054,000.**

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

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

Specific to this document, the Division administers the DWSRF program as established by the 1996 Amendments to the Safe Drinking Water Act (SDWA), (P.L. 104-182), Section 1452. The DWSRF program offers loans to public water supply systems at interest rates lower than market rates for drinking water infrastructure. As a public water supply system repays the loan, the monies are again loaned out, hence the revolving nature of the program. All loan repayments must go back into the DWSRF. The DWSRF-EC funds will, however, be offered entirely as principal forgiveness loans, meaning that the eligible recipients of these funds would not need to repay these loans. This Intended Use Plan explains how the FY2024 Bipartisan Infrastructure Law DWSRF Emerging Contaminants capitalization grants will be used and how the DWSRF-EC will operate in accordance with Section 1452(b) of the SDWA.

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

The BIL DWSRF-EC funds are made available as 100% principal forgiveness. There will not be any repayments associated with these funds.

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

2. Financial History

Congress appropriated funds to the DWSRF in the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law (BIL). The BIL appropriated additional funds for five fiscal years (FY2022-FY2026) to address Emerging Contaminants (BIL DWSRF-EC Funds). The BIL also appropriated funds specifically to supplement the DWSRF funds and to address lead service line replacement; plans for which are described in separate IUPs. This IUP will discuss the workplan for the BIL DWSRF-EC funds for the Fiscal Year 2024. North Carolina received \$23,360,000 for the FY 2022 and \$21,054,000 for the FY 2023 for addressing Emerging Contaminants in the Drinking Water.

For the FY 2024, North Carolina will receive \$21,054,000 for addressing Emerging Contaminants in drinking water. There is no state match required for these funds.

BIL DWSRF-EC funds will not be used to satisfy debt security requirements.

3. Programmatic Goals

Pursuant to the SDWA, the State must identify the goals and objectives of the state fund. North Carolina has set its short- and long-term goals of this IUP to align with EPA's strategic goals and objectives FY2022-2026 EPA Strategic Plan, specifically Goal #5, to Ensure Clean and Safe Water for all communities and Objective 5.1 to Ensure Safe Drinking Water and Reliable Water Infrastructure. The Office of Water has identified specific measures that address the strategic goals and objectives outlined by EPA in its strategic plan. A basis for each goal in this program IUP has been identified. These references ensure that all the specific commitments made by the State are properly correlated to the strategic goals and objectives of the Agency. The State has the following goals for its BIL DWSRF-EC program:

3.1. Overall DWSRF Program Goal

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

3.2. Emerging Contaminants Funding Program Short-Term Goals

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

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

3.3. Long -Term Goals

- Goal #1: Support North Carolina Department of Environmental Quality's Strategic Goal to strengthen North Carolina's infrastructure through thoughtful, strategic, and equitable investments in communities.
- Goal #2: Support North Carolina Department of Environmental Quality's Strategic Goal to protect North Carolinians from exposures to emerging compounds using a transparent and science-based decision-making process, with special emphasis on reducing health risks associated with PFAS.
- Goal #3: Support North Carolina Department of Environmental Quality's Strategic Objective to ensure funding processes include equitable access for underserved communities.
- Goal #4: Support U.S. Environmental Protection Agency's Strategic Goal 5 of ensuring clean and safe water for all communities.
- Goal #5: Integrate the funding process with other DWSRF funding processes and continue to streamline them to ensure the funds are used in an expeditious and timely manner in accordance with the SDWA and applicable State laws as required by Section 1452(g)(3)(A) of the SDWA.
- Goal #6: Ensure the technical integrity of DWSRF projects through diligent and effective planning, design, and construction management.
- Goal #7: Ensure the Priority Rating System reflects NCDEQ's and the Authority's goals.
- Goal #8: Provide technical and financial assistance to public water supply systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.

4. Information on Activities to be Supported

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

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

- Program administration

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

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

The Division reserves the authority to transfer BIL Emerging Contaminants funds between the DWSRF-EC and CWSRF-EC from these years' capitalization grants at a later date and apply it to a future year's capitalization grant. **Any requests for transfer will be notified in writing to EPA.**

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

Sources and Uses for the Life of the Program (updated May 2024)

Historic Sources and Uses									
	Revenues					Expenditures		Net	
FY	Federal Cap	State Match	Repayments Principal	Repayments Interest	Interest Earned	Project Disbursements	Set-Asides	Net For FY	Cumulative Net
2022	\$23,201,000	N/A						\$23,201,000	\$23,201,000
2022 Reallotment	\$159,000	N/A						\$159,000	\$23,360,000
2023	\$21,054,000	N/A						\$21,054,000	\$44,414,000
Totals	\$44,414,000	\$0						\$44,414,000	
Projected Sources and Uses for FY 2024 (based on Availability Model)									
	Revenues					Expenditures		Net	
FY	Federal Cap	State Match	Repayments Principal	Repayments Interest	Interest Earned	Project Disbursements	Set-Asides	Net For FY	Cumulative Net
2024	\$21,054,000	N/A				\$3,000,000	\$200,000	\$17,854,000	\$62,268,000
Projected Uses beyond FY 2024									
Based on FY2022 cap grant (projects already awarded)						\$18,530,000	\$734,400	\$(19,264,400)	\$43,003,600
Based on FY2022 – FY2024 cap grants (projects to be awarded in later funding rounds)						\$41,319,280	\$1,684,320	\$(43,003,600)	\$0

Values in BLUE as approximate values.

5. Criteria and Methods for Distributing Funds

5.1. Eligible Projects

For FY2024 BIL DWSRF-EC capitalization grants, eligible projects must address any perfluoroalkyl and polyfluoroalkyl substances (PFAS) contaminants.

Priority will be given to eligible projects that address **PFAS compounds exceeding proposed or promulgated** Maximum Contaminant Levels (MCLs) **and/or** Hazard Index.

Examples of eligible construction projects may include:

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

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

Only projects successfully claiming 1.J points and 2.H.3 or 2.H.4 points will be eligible for BIL DWSRF-EC funding. To claim 1.J.1 or 1.J.3 points, 100% of the project costs must be to address PFAS. Only the portion of the project costs associated with the project activities that address PFAS will be eligible for BIL DWSRF-EC disbursements.

5.2. Project List and Prioritization

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

Projects eligible for DWSRF-EC funds will be prioritized using a Priority Rating System consisting of elements of the Priority Rating System that are specific to the DWSRF-EC funding, as approved by the State Water Infrastructure Authority (see Appendix D). Applications will be ranked based on the following scores, in the following order: 1) total application score (points) of the Priority Rating System relevant for DWSRF-EC, 2) project purpose points, 3) project benefit points, and 4) affordability points.

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

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

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

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

The Priority Rating System also takes into account the ability of the applicant to afford projects. For example, those applicants who have a high poverty rate, high utility bills, lower population growth, lower median household incomes, and higher unemployment receive higher priority. Projects that primarily benefit subsets of the service population that are in disadvantaged areas also receive priority points. **Local government units that are under the fiscal control of the Local Government Commission and that have required Emergency Operating Grants to balance their budgets are also prioritized.**

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

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

5.3. Application and Project Deadlines

The DWSRF program operates on a priority basis and accepts funding applications semi-annually. Projects are allocated funding in priority order (as noted above) until available funds are exhausted and within special reserve requirements (e.g. Emerging Contaminant Reserve, as described herein). Funding availability is determined based on the capitalization grants. Results will be posted on the Division's website.

Note: the Division is seeking public comments on an alternative application period for evaluation and assessment projects. The alternative application period is as follows:

- applications for construction projects (projects that qualify for line items 1.J.1 or 1.J.2 priority points) will continue to be accepted and assessed semi-annually as part of the regular Division application rounds, using the common application form
- applications for evaluation and assessment projects (projects that qualify for line items 1.J.3 priority points) will be accepted year-round using a separate application form. This would allow the Division to make the BIL DWSRF-EC funds available to water systems to conduct evaluation and assessment projects once PFAS contamination has been detected more quickly than in the traditional semi-annual Division funding cycles. BIL DWSRF-EC funds for evaluation and assessment projects will be made available for awards as part of several (more than two) regular State Water Infrastructure Authority meetings during the year. The Division will establish application due dates for each funding cycle, which will be posted on the Division's website. Applications for evaluation and assessment projects can be submitted at any time. Complete and eligible applications received on or prior to an application due date will be considered for funding at the next scheduled SWIA meeting. Projects not selected for funding will be automatically reconsidered for the next funding cycle. Applications for evaluation and assessment projects will be funded from the reserve established for evaluation and assessment projects as described in Section 5.4.1.3.

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

- 5.3.1. Funding application and supporting information must be received by the application deadline to be considered for any given funding cycle.
- 5.3.2. After the Authority provides final project rank eligibilities, the DWSRF program will issue Letters of Intent to Fund (LOIF) based on the projects' prioritization and the amount of funds being made available in the cycle.
- 5.3.3. Within four months of the issuance of the LOIF, a complete Engineering Report / Environmental Information Document must be submitted to the DWSRF program.
- 5.3.4. Within nine months, the Engineering Report / Environmental Information Document must be approved.
- 5.3.5. Within 15 months, complete plans and specifications must be submitted with copies of all required permits, encroachments, etc., or evidence that applications for remaining required permits have been submitted to the respective permitting agency. Complete Operations and Maintenance (O&M) Plan must be submitted.

- 5.3.6. Within 19 months, the plans/specifications and all required permits must be approved/issued.
- 5.3.7. Within 23 months, the following events/items must be completed/received:
 - 5.3.7.1. Advertisement of the project for bids
 - 5.3.7.2. Receipt of bids
 - 5.3.7.3. Submission of bid information to DWSRF staff
 - 5.3.7.4. Obtainment of the Division's Authority to Award Construction Contracts.
- 5.3.8. Within 24 months, construction contracts must be executed.

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

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

5.4. Detailed Project Funding Criteria

5.4.1. General

- 5.4.1.1. To be eligible for DWSRF-EC funding, a project must be on the Intended Use Plan Project List.
- 5.4.1.2. Funding can be provided for any eligible projects (that address PFAS) as provided for in the Safe Drinking Water Act and NCGS 159G, including water treatment facilities, distribution systems, tanks, etc. that improve drinking water quality. DWSRF-EC funding can be provided for any SRF-eligible project addressing PFAS contamination as demonstrated by

successfully claiming Priority Rating System line items 1.J.1, 1.J.2, or 1.J.3, and 2.H.3 or 2.H.4

- 5.4.1.3. Evaluation/Assessment Project Reserve: At least 50% of the DWSRF-EC funds available for projects will be reserved for projects to evaluate alternatives to address PFAS (i.e. pilot scale treatment studies, assessments and evaluations, etc.). Projects that qualify for line item 1.J.3 qualify for these project funds. If there are not enough eligible applications for evaluation projects to award at least 50% of the project funding by the second application round **in which construction project applications are considered**, the remainder of this reserve will be made available to other DWSRF-EC eligible projects in priority order. **Funding may bypass a higher priority project to satisfy the Evaluation/Assessment Project Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List.**
- 5.4.1.4. At least 25% of DWSRF-EC funds will be provided to disadvantaged communities (as defined by the state under SDWA 1452(d)).
- 5.4.1.5. Funding will be provided in priority order based on project scores, Authority determination, and the amount of funds made available. Projects cannot be substantively changed once funding is allocated.
- 5.4.1.6. DWSRF-EC funds will be offered as 100% principal forgiveness.
- 5.4.1.7. The maximum DWSRF-EC funding amount for construction projects will be established at \$5,000,000 per applicant **per year**. This can be increased if funds are available at an increment of \$500,000 per project (up to total funding requested), in priority order, until available funding in the funding round is exhausted.
- 5.4.1.8. The maximum DWSRF-EC funding amount for evaluation projects will be established at \$500,000 per applicant **per year**.
- 5.4.1.9. **Division reserves the right to borrow from future capitalization grants to meet the demand as and when needed.**

5.4.2. Principal Forgiveness

DWSRF-EC funding will be provided with 100% principal forgiveness for the entire FY2024 capitalization grants, less the amounts used for set-asides and administrative

costs. Total amounts available for principal forgiveness is estimated to be \$20,211,840 for FY2024.

5.4.3. Disadvantaged Communities and Small System Reserve

- 5.4.3.1. A minimum of 25% of the DWSRF-EC funds, less the amounts used for set-asides and administrative costs (\$5,052,960 for FY2024) will be awarded to disadvantaged communities as defined by the state under SDWA 1452(d), 5.4.3.3 or to public water systems serving fewer than 25,000 people.
- 5.4.3.2. Funding may bypass a higher priority project to satisfy the Disadvantaged Communities and Small System Reserve. Any such bypassing will be shown in the Intended Use Plan Project Priority List.
- 5.4.3.3. Disadvantaged communities are:
 - 5.4.3.3.1. LGUs with less than 20,000 residential water connections, at least three (3) of five (5) LGU economic indicators (“LGU indicators”) worse than the state benchmark, an operating ratio (future) of less than 1.3 and either utility rates greater than the state median or project cost per connection that project to increase the utility rates above the 70th percentile of state-wide utility rates, or
 - 5.4.3.3.2. LGUs that have been designated as Distressed per NCGS §159G-45 and either has utility rates greater than the state median or project cost per connection that project to increase the utility rates above the 70th percentile of state-wide utility rates, or
 - 5.4.3.3.3. Local government units under the fiscal control of the Local Government Commission on the day of the application deadline.
- 5.4.3.4. “Disadvantaged areas” are subsections or pockets of a local government unit area or utility service area, not the entire local government unit area or entire utility service area. Disadvantaged areas are limited to less than half the number of total connections served by the applicant at the time of application. A project that benefits the entire local government unit

area or entire utility service area is not eligible to be considered a “disadvantaged area” project.

Applicants can demonstrate a targeted project area as a disadvantaged area if it meets the size specifications above and it falls within a Potentially Underserved Block Group or Tribal boundary layer in the North Carolina Department of Environmental Quality’s Community Mapping System, or similar state or federal maps such as the Climate and Economic Justice Screening Tool.

Alternatively, Applicants can demonstrate a targeted project area is a disadvantaged area based on its socioeconomic data, which may be obtained for Census Block Groups or Census Tracts that provide the closest overlap with the targeted project area. A targeted project area will be considered a “disadvantaged area” based on at least three of the following factors:

- median household income of the targeted project area is lower than the state benchmark;
- poverty rate of the targeted project area is higher than the state benchmark;
- property values per capita of the targeted project area is lower than the state benchmark;
- unemployment rate of the targeted project area is higher than the state benchmark.

Additional factors that may qualify the targeted project area as disadvantaged, such as (but not limited to) demographic, historical, cultural, linguistic, socio-economic stressors, cost-of-living stressors, or existing contamination factors, may also be considered for targeted project areas that meet the size specification above.

Applicants must provide a narrative in the application to justify the targeted project area as disadvantaged using the factors above, and may use maps or other existing sources to document their justification.

5.4.4. Capacity Development Reviews

- 5.4.4.1. All public water supply systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity [per NCAC 15A 18C .0307(c)] to operate the water system in compliance with the SDWA. Capacity Development reviews for construction projects that require permitting will be done by the Public Water Supply Section. Emerging Contaminants study projects are not anticipated to have a Capacity Development review. However, project details resulting from the study projects will be

sent to the Compliance agency for review. Division will work closely with Public Water Supply Section to develop scope and guidance requirements for Emerging Contaminants projects. A regulatory process was developed and has been approved by EPA as adequate to ensure technical, financial, and managerial capacity is demonstrated. This is measured by the issuance of an Authorization to Construct for the process occurring after capacity development criteria are reviewed and satisfied. A water system that lacks adequate capacity in one or more of these categories might remain eligible for funding if a strategy that would resolve the problem or issue can be developed and attached as a condition of the loan approval.

5.4.5. Miscellaneous Criteria/Provisions:

- 5.4.5.1. Davis-Bacon prevailing wage rates apply to loans as required by funding agreements/conditions.
- 5.4.5.2. American Iron and Steel provisions will apply to loans as required by Federal mandates.
- 5.4.5.3. Build America, Buy America requirements will apply to funds as required by US EPA and by Federal mandates.
- 5.4.5.4. Funding conditions for projects with capital improvements will include the requirement to develop an Operations and Maintenance (O&M) Plan to plan for adequate long-term operations of the assets, including plans for covering the operating costs and technical capacity of staff to operate and maintain the assets.
- 5.4.5.5. Funding conditions will specify that project costs that are paid by an identified Responsible Party are not eligible for DWSRF-EC funds and will be refunded to the Department.
- 5.4.5.6. Approval of a repayable loan (not principal forgiveness) that may supplement a DWSRF-EC award is contingent on approval by the Local Government Commission (LGC).
- 5.4.5.7. A 2% fee is required. The fee cannot be financed by the DWSRF-EC fund.

6. Programmatic Conditions

6.1. Assurances and Specific Proposals

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

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

6.2. Federal Requirements

- 6.2.1. The State will ensure that all federal requirements are met as noted in the DWSRF Operating Agreement between the State and US Environmental Protection Agency and the Grant Agreement, including Single Audit, Disadvantaged Business Enterprise compliance, federal environmental crosscutters, and Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.
- 6.2.2. The State will enter all required reporting information at least quarterly into respective federal databases including FFATA and the SRF Data System.
- 6.2.3. The State will ensure that all applicants to the DWSRF program certify that they meet the fiscal sustainability planning requirements. Such certifications will be received by the time of funding offer.

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

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

7. Program Evaluation Report

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

8. Public Review and Comment

This section will be completed after the public review period is concluded. Public comments are sought for the draft IUP.

Note that the public comment period for the Priority Rating System (Appendix D) was completed

between March 1 and April 1, 2024. In February 2024, the State Water Infrastructure Authority (Authority) reviewed and updated the Priority Rating System (PRS) for drinking water projects and approved the draft to be posted for public comments. The Division presented the proposed Priority Rating System in a separate public comment period between March 1 and April 1, 2024. Comments and questions received on the Priority Rating System, and responses, are below. The Division presented the public comments to the State Water Infrastructure Authority in April 2024, which then finalized the Priority Rating System that is being adopted in the FY2024 IUP.

Public comments and responses to the Priority Rating System are:

Priority Rating System (public comments received between March 1 – April 1, 2024):

Comment: It is difficult to comment on the proposed PRS without associated Intended Use Plans or guidance to understand eligibility and prioritization of how funding is distributed.

Response: We understand the value of posting both the IUP and PRS for public comment at the same time. At this time, the FY2024 allotments for SRF and BIL funds are not available, and therefore the draft IUPs are not ready for public comment. Once the allotments are announced, the draft IUPs will be made available in a separate public comment period.
No action required.

Comment: With the proposed changes in the PRS, applicants will have to make a decision for a single project to apply for a lower project purpose score (1.J.1) to qualify for grant funding as opposed to selecting the higher scoring project purpose (1.C). For example, a single project could qualify for both 1.C and 1.J.1 line items; the same project/applicant could apply twice for the same project and have 2 separate PRS that score differently in order to be able to qualify for the EC PF funds and also be competitive for loan funding. A potential solution would be to have separate funding buckets identified in the Intended Use Plan for specific project types (emerging contaminants bucket and other eligible projects bucket) to reflect the project-type priorities of the Division of Water Infrastructure and the State Water Infrastructure Authority.

Response: The 1.C and 1.J.1 line items score the same at 12 points. These line items often are combined with other line items for additional points, such as the 1.C.1 line item for eight points in addition to Line Item 1.C, and the 2.H.4 line item for five points in addition to Line Item 1.J.1. These line items are added as applicable to the project. There may be some projects that can claim a different combination of points but only one priority purpose (Category 1) line item will be recognized for each priority score. However, it is the intent of the Division to simplify the application process and have all applicants submit only one application per project and be considered for all applicable funding programs. For a project that qualifies both as an Emerging Contaminants project (with the relevant combination of Line Items 1.J and 2.H) by replacing or rehabilitating infrastructure (with the relevant line item 1.C), the applicant can and should claim all line items in the application (i.e. both 1.C and 1.J, including corresponding narratives

describing all requirements and supporting documentation as per the PRS Guidance). The Division will apply the 1.J line item score for prioritization for the Emerging Contaminants funding program, and alternatively apply the 1.C line item score for prioritization for all other funding programs. By doing so, the applicant does not need to choose between the two project purpose line items when applying (they should claim both), provided that the project qualifies and is eligible for both purposes as defined in the Guidance document. Further, the Division may consider separate reserves for different funding needs, which will be addressed in the Intended Use Plan (and its associated public comment period), but this would not affect the Priority Rating System. **No change to the PRS.**

Comment: The proposed changes score critical public health issues less than other general project benefits. For example, Line Item 2.G – Project addresses low pressure receives 10 points which is the same as the new 2.H.1 – Project addresses acute contamination of a water supply source proposed score of 10 points and twice as much as 2.H.4 – Project addresses PFAS exceeding proposed MCL or Hazard Index. It appears, addressing contamination and its direct public health impacts is now a lower priority for the Division of Water Infrastructure based on the proposed priority rating system; and specifically addressing PFAS is a lower priority than other contamination or addressing other “promulgated but not yet effective regulations.”

Response: Addressing public health is embedded throughout the Priority Rating System, not exclusively in the 2.H line item points. Line Item 2.G – Project addresses low pressure – also addresses public health since low pressure could lead to acute contamination of drinking water and boil water advisories. Addressing acute contamination is the higher priority for protecting public health, followed by addressing contamination that is non-acute. To better reflect this, **the Staff recommend restoring Line Item 2.H.1 – Project addresses acute contamination of a water supply source – to 15 points** to raise the project benefit points for related projects. Projects that address contamination that is not acute will score 2 to 5 points in addition to other related project benefits. Projects that directly address PFAS are eligible for Line Items 1.J.1 – 1.J.3 or possibly Line Item 1.C, which, when combined with Line Items 2.H.3 and 2.H.4, provide a high project priority score to address the public health concern. Lastly, in anticipation that proposed Maximum Contaminant Levels (MCL) and/or Hazard Index for PFAS compounds may be promulgated in the coming months, **the Staff recommend including promulgated MCL and Hazard Index to Line Item 2.H.4, i.e. Line Item 2.H.4 is to be labeled “Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index.”**

9. Budget and Project Periods

- 9.1. The budget and project periods being requested for the capitalization grants is shown in Appendix C and on EPA Form SF 424.
- 9.2. Fees (2% of the funding award) on funding from the grant will be deposited into separate account centers. Fees will be used to administer the program. In addition, fees considered non-program income will also be used for other water quality purposes within the Divisions of Water Resources and Water Infrastructure, including funding for positions.
- 9.3. In order to reduce and minimize federal unliquidated obligations and undisbursed non-federal cash balances, the state will draw down on the capitalization grants in the order it was received, fully spending on each year's capitalization grant fund types before drawing down from the next year's capitalization grant.

DRAFT

Appendix A

Set-Aside Activity Description

A. Program Administration

Up to 4% of the capitalization grant (**\$842,160**) will be used for program administration. Administration includes management of the program; financial management; development of yearly comprehensive project priority lists; engineering report and environmental document review; construction inspections for funded projects; data management; data analysis; reporting; and records keeping; public engagement; etc. These funds will also be used to procure all equipment and training necessary for the adequate performance of staff on related duties.

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

Appendix B

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

The Intended Use Plan Project Priority List may be supplemented or replaced based on applications received as a part of future funding cycles. This project priority list itemizing the output/outcomes of the policies and procedures outlined in this Intended Use Plan for the FY 24 funds. Projects selected for FY 22 BIL EC funding, have received Letters of Intent to Fund and are awaiting loan agreement execution. FY 23 funds will be made available after July 2024.

Fall 2024 Application Round – Future Funding Round

Applications will be accepted in Fall 2024 for BIL DWSRF-EC funding, which will be added to the Project Priority List in the table below (expected after February 2025).

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Funding	Priority Points	Estimated Binding Commitment

Spring 2024 Application Round – Current Demand for Drinking Water Projects addressing Emerging Contaminants (PFAS)
These are not funded projects. Applications will be selected for funding by the State Water Infrastructure Authority in July 2024.

Below are the new applications received by April 30, 2024, shown in alphabetical order only. Fall 2023 applications that were not funded will also be re-considered. At this time, application scoring and funding awards have not been determined. Final scores, application rankings, and funding awards will be determined after the State Water Infrastructure Authority meets in July 2024. **The State Water Infrastructure Authority is expected to award around \$21,200,000 in BIL DWSRF-EC Funding.**

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
AQUA North Carolina, Inc.	Brookwood Community Ion Exchange Filters	Construction	NC0326127	15,665	Cumberland	\$5,795,400		TBD	TBD	TBD
Asheboro, City of	W L Brown WTP Emerg Cont Planning Study	Evaluation/ Assessment Project	NC0276010	27,472	Randolph	\$500,000		TBD	TBD	TBD
Burlington, City of	GAC Construction Project	Construction	NC0201010	59,287	Alamance	\$28,160,000		TBD	TBD	TBD
Fayetteville Public Works Commission	PO Hoffer WTF Phase 3 Residuals	Construction	NC0326010	213,253	Cumberland	\$34,184,606		TBD	TBD	TBD
Goldensboro, City of	PFAS Treatment Evaluation and Pilot	Evaluation/ Assessment Project	NC0496010	34,959	Wayne	\$500,000		TBD	TBD	TBD
Goldensboro, City of	PFAS Treatment Improvement Project	Construction	NC0496010	34,959	Wayne	\$35,584,800		TBD	TBD	TBD

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Neuse Regional Water and Sewer Authority	PFAS Treatment	Construction	NC6054001	93,238	Lenoir	\$32,160,000		TBD	TBD	TBD
Orange Water and Sewer Authority	PFAS Treatment at Jones Ferry WTP	Evaluation/ Assessment Project	NC0368010	86,300	Orange	\$500,000		TBD	TBD	TBD
Roanoke Rapids Sanitary District	Drinking Water Emerging Contaminant Stud	Evaluation/ Assessment Project	NC0442010	16,312	Halifax	\$500,000		TBD	TBD	TBD
Rocky Mount, City of	PFAS Treatment at Rocky Mount WTPs	Evaluation/ Assessment Project	NC0464010	55,891	Nash	\$500,000		TBD	TBD	TBD
Total						\$138,384,806		Expected more than \$21.1 million		

Total funding requested: \$138,384,806, excluding reconsidered applications.

Fall 2023 Application Round – Funded Projects shown in the “BIL DWSRF-EC Funding” column

The following applications were reviewed and awarded BIL DWSRF-EC funding initially from the FY2022 and/or FY2023 BIL DWSRF-EC capitalization grant. Depending on the projects’ timelines, BIL DWSRF-EC disbursements to projects may come from the FY2024 capitalization grant and hence are included in the FY2024 capitalization grant Intended Use Plan to cover that possibility.

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Cumberland County	Gray's Creek Phase 1	Construction	NC5026026	124	Cumberland	\$7,637,000	Co-funded with DWSRF	\$5,000,000	60	Jan. 25
Neuse Regional Water and Sewer Authority	PFAS Treatment	Construction	NC6054001	93,238	Lenoir	\$31,142,000	Co-funded with DWSRF	\$5,000,000	60	Jan. 25
Fayetteville Public Works Commission	PO Hoffer Glenville Lake GAC Constructio	Construction	NC0326010	213,253	Cumberland	\$74,307,300	Last funded construction project to fund evaluation/assessment projects. Co-funded with DWSRF.	\$5,000,000	58	Jan. 25
Fuquay-Varina, Town of	Sanford WFF - GAC Facility	Construction	NC0392055	39,065	Wake	\$10,532,889	Bypassed to fund Evaluation/Assessment Reserve		56	
Holly Springs, Town of	Sanford WFF Expansion – GAC Facility	Construction	NC0392050	45,058	Wake	\$7,021,926	Bypassed to fund Evaluation/Assessment Reserve		54	

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Cape Fear Public Utility Authority	Alandale Area Water Extension - PFAS	Construction	NC0465010	205,385	New Hanover	\$2,548,075	Bypassed to fund Evaluation/Assessment Reserve		54	
Aqua North Carolina, Inc	Brookwood Community Ion Exchange Filters	Construction	NC0326127, NC0326332, NC0326124	15,665	Cumberland	\$5,795,400	Bypassed to fund Evaluation/Assessment Reserve		52	
Bald Head Island, Town of	BHI DW Construction-Emerging Contaminant	Construction	NC0410130	3,291	Brunswick	\$5,000,000	Bypassed to fund Evaluation/Assessment Reserve		49	
South Granville Water and Sewer Authority	Post-Filter PFAS Treatment Improvements	Construction	NC0239107	18,479	Granville	\$22,210,000	Bypassed to fund Evaluation/Assessment Reserve		47	
Cumberland County	Cedar Creek Phase I	Construction	New system	New	Cumberland	\$18,473,000	Bypassed to fund Evaluation/Assessment Reserve		45	
Greensboro, City of	Greensboro Mitchell ATEC	Construction	NC0241010	320,756	Guilford	\$55,674,000	Bypassed to fund Evaluation/Assessment Reserve		45	
Neuse Regional Water and Sewer Authority	PFAS Treatment Study	Evaluation/Assessment Project	NC6054001	93,238	Lenoir	\$500,000		\$500,000	45	Jan. 25

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Fayetteville Public Works Commission	PO Hoffer Glenville GAC Design	Evaluation/ Assessment Project	NC0326010	213,253	Cumberland	\$4,758,400	Cap is \$500k for evaluation/ assessment projects	\$500,000	43	Jan. 25
Greenville Utilities Commission	GAC Filter Media Replacement	Construction	NC74010	103,140	Pitt	\$1,815,000	Bypassed to fund Evaluation/ Assessment Reserve		42	
Carthage, Town of	PFAS Compliance Planning Study	Evaluation/ Assessment Project	NC0363025	2,635	Moore	\$400,000		\$400,000	42	Jan. 25
Martin County Regional Water and Sewer Authority	PFAS Eval. & Assessment Study for WTP	Evaluation/ Assessment Project	NC6059015	10,162	Martin	\$500,000		\$500,000	41	Jan. 25
Cape Fear Public Utility Authority	Rockhill Area Water Extension - PFAS	Construction	NC0465010	205,385	New Hanover	\$671,700	Bypassed to fund Evaluation/ Assessment Reserve		39	
Piedmont Triad Regional Water Authority	PFAS Construction RO Treatment Sys	Construction	NC3076010	367,681	Randolph	\$74,646,250	Bypassed to fund Evaluation/ Assessment Reserve		37	
Graham, City of	Drinking Water EC Study	Evaluation/ Assessment Project	NC0201015	18,507	Alamance	\$500,000		\$500,000	37	Jan. 25

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Norwood, Town of	Norwood PFAS Study Project	Evaluation/ Assessment Project	NC0184015	4,252	Stanly	\$500,000		\$500,000	34	Jan. 25
Siler City, Town of	PFOS Compliance Planning Study	Evaluation/ Assessment Project	NC0319010	8,474	Chatham	\$400,000		\$400,000	33	Jan. 25
South Granville Water and Sewer Authority	Pilot Evaluation and Planning Study	Evaluation/ Assessment Project	NC0239107	18,479	Granville	\$500,000		\$500,000	32	Jan. 25
Harnett County	Harnett Regional WTP PFAS Pilot Study	Evaluation/ Assessment Project	NC0343045	111,655	Harnett	\$500,000		\$500,000	29	Jan. 25
Johnston County	TGB WTP PFAS Treatment Study	Evaluation/ Assessment Project	NC4051018	42,638	Johnston	\$330,000		\$330,000	28	Jan. 25
Rocky Point Topsail Water and Sewer District	PFAS Treatment Alternatives Study	Evaluation/ Assessment Project	NC7071011	30,506	Pender	\$400,000		\$400,000	27	Jan. 25
Burlington, City of	City of Burlington EC Study	Evaluation/ Assessment Project	NC0201010	59,287	Alamance	\$500,000		\$500,000	25	Jan. 25
Lumberton, City of	PFAS Study Water Treatment Plant	Evaluation/ Assessment Project	NC0378010	24,460	Robeson	\$500,000		\$500,000	24	Jan. 25

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Piedmont Triad Regional Water Authority	PFAS Study- RO Treatment System	Evaluation/ Assessment Project	NC3076010	367,681	Randolph	\$500,000		\$500,000	22	Jan. 25
					Total	\$328,262,940		\$21,530,000		

Total funding requested: \$328,262,940.

TOTALS

	FY2022 DWSRF-EC	FY2023 DWSRF-EC	FY2024 DWSRF-EC	Total Over three Cap Grants
Total Awarded	\$21,530,000	TBD	TBD	Will be determined after current and future rounds. Current demand (\$466 million) exceeds availability.
Funding Availability (excluding set-asides)	\$22,425,600	\$ 20,211,840	\$20,211,840	\$62,849,280

Appendix C
2024 BIL DWSRF-EC Proposed Payment Schedule
(Dependent on timing of award of federal grant)

<u>Payment Quarter</u>	<u>2024 EC Payment Amount</u>
April 1, 2024 – June 30, 2024	
July 1, 2024 - September 30, 2024	
October 1, 2024 - December 31, 2024	
January 1, 2025 - March 31, 2025	\$21,054,000
Total	\$21,054,000

Appendix D
PRIORITY RATING SYSTEM for DWSRF-EC Projects

Finalized by the Authority in April 2024 after a public comment period was completed between
 March 1 – April 1, 2024.

2024 PRIORITY RATING SYSTEM for DWSRF-EC Projects				
<p>Instructions: For each line item, mark "X" to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>				
Line Item #	EC Line Item [†]	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Claimed Yes/No	Points
1.A – 1.E		Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
1.F – 1.I		Reserved for other programs		
1.J		Project addresses PFAS emerging contaminants		
1.J.1	EC	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose OR		12
1.J.2	EC	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		5
1.J.3	EC	Sole purpose of the project is to evaluate alternatives to address Emerging Contaminants (may include pilot scale treatment study)		5
Maximum points for Category 1 – Project Purpose				12
Subtotal claimed for Category 1 – Project Purpose				
Line Item #	EC Line Item [†]	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A – 2.F.1		Reserved for other programs		
2.F.2	EC	Project includes system regionalization and/or system partnerships		5
2.G		Reserved for other drinking water projects		
2.H		Project addresses contamination		

2024 PRIORITY RATING SYSTEM for DWSRF-EC Projects				
2.H.1 – 2.H.2		Reserved for other drinking water projects (not to be used for DWSRF-EC funds)		
2.H.3	EC	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits OR		2
2.H.4	EC	Project addresses PFAS exceeding proposed or promulgated MCL or Hazard Index		5
2.I – 2.S		Reserved for other programs		
Maximum points for Category 2 – Project Benefits				10
Subtotal claimed for Category 2 – Project Benefits				
Line Item #	EC Line Item [†]	Category 3 – System Management	Claimed Yes/No	Points
3.A		Capital Planning Activities		
3.A.1	EC	Applicant has implemented an Asset Management Plan as of the date of application OR		10
3.A.2	EC	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	EC	System Operating Ratio is greater than or equal to 1.00 based on a current audit, or is less than 1.00 and unit cost is greater than 2.5% of MHI		5
3.C – 3.E		Reserved for other programs		
Maximum points for Category 3 – System Management				15
Subtotal claimed for Category 3 – System Management				
Line Item #	EC Line Item [†]	Category 4 – Affordability	Claimed Yes/No	Points
4.A		Residential Connections		
4.A.1	EC	Less than 10,000 residential connections OR		2
4.A.2	EC	Less than 5,000 residential connections OR		4
4.A.3	EC	Less than 1,000 residential connections		8
4.B		Current Monthly Combined Utility Rates at 5,000 Usage		

2024 PRIORITY RATING SYSTEM for DWSRF-EC Projects				
4.B.1	EC	Greater than the 50 th percentile OR		4
4.B.2	EC	Greater than the 70 th percentile OR		6
4.B.3	EC	Greater than the 85 th percentile OR		8
4.B.4	EC	Greater than the 95 th percentile		10
4.C		Local Government Unit (LGU) Indicators		
4.C.1	EC	3 out of 5 LGU indicators worse than state benchmark OR		3
4.C.2	EC	4 out of 5 LGU indicators worse than state benchmark OR		5
4.C.3	EC	5 out of 5 LGU indicators worse than state benchmark OR		7
4.C.4	EC	Project benefits disadvantaged areas		5
4.D – 4.G		Reserved for other programs		
Maximum points for Category 4 – Affordability				25
Subtotal claimed for Category 4 – Affordability[‡]				
Total of Points for All Categories				

[†] Only line items marked with “EC” will be used in scoring eligible applications for DWSRF-EC funding. These applications will also be scored using the full PRS for all other drinking water funding sources.

[‡]Local government units under Local Government Commission’s fiscal control that have received an Emergency Operating Grant under NC GS 159G-34.5 in the current or prior fiscal year qualify for the maximum points for Category 4: Affordability.