

**State Water Infrastructure Authority**  
**Meeting Date – April 18 & 19, 2023**  
**Agenda Item R – FY2022-23 Priority Rating System Approval for Public Review for**  
**Bipartisan Infrastructure Law Drinking Water State Revolving Fund**  
**Emerging Contaminants Funds**

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**Division of Water Infrastructure Staff Report**

**Background**

The federal Clean Water Act and federal Safe Drinking Water Act provide states with the broad authority to implement and operate State Revolving Fund (SRF) loan programs, including project funding prioritization. North Carolina General Statute (G.S.) 159G-71 empowers the State Water Infrastructure Authority (Authority) to establish priorities for making loans and grants consistent with federal law.

The US Environmental Protection Agency (EPA) requires the Division of Water Infrastructure (Division) to update its Intended Use Plan (IUP) for the Clean Water SRF (CWSRF) and Drinking Water SRF (DWSRF) programs. Included within each program’s IUP is the Priority Rating System (PRS), which establishes the points applied by Division staff when an application for funding is evaluated. The Division proposes the PRS to EPA each year in the IUP for each SRF and submits the IUPs to EPA as part of the capitalization grant applications.

Congress appropriated funds to the SRF in the Infrastructure Investment and Jobs Act of 2021, commonly referred to as the Bipartisan Infrastructure Law (BIL). The BIL appropriated additional funds for five fiscal years (FY 2022-FY 2026). Bipartisan Infrastructure Law funds are available to support all eligible SRF projects, as well as funds specifically set aside to support lead service line replacement or to help address emerging contaminants. The draft PRS includes updates to line items that provide priority to projects addressing PFAS contaminants and allows staff to identify projects eligible for the SRF BIL Emerging contaminant funds. Staff recommendations considered input from the Divisions of Waste Management and Water Resources leadership responsible for PFAS regulatory oversight. Recommendations are supportive of Departmental PFAS oversight strategies.

Similar PRSs are currently applied to infrastructure construction projects in the State Revolving Funds, State Drinking Water Reserve, State Wastewater Reserve, and the Viable Utility Reserve funding programs. A similar system is applied in the Community Development Block Grant-Infrastructure program. The PRSs include four categories:

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

The current system provides a consistent and transparent methodology for prioritization that aligns with the Authority's Master Plan and statutory requirements. The PRSs support applicants in their continued efforts toward long-term utility viability.

### **The Bipartisan Infrastructure Law Emerging Contaminants Funding**

The BIL, which went into effect on November 15, 2021, includes a Drinking Water capitalization grant specific for emerging contaminants (EC). This funding is available for SRF-eligible projects whose primary purpose is to address EC in drinking water. One hundred percent of the EC capitalization grant amount is to be provided as additional subsidization in the form of principal forgiveness. A minimum of 25 percent of the funding awarded must go to disadvantaged communities.

Per the March 2022 EPA BIL Implementation memo, projects or activities addressing EC must be SRF-eligible and a project or associated activity directly connected to the identification, planning, design, and treatment of EC. Eligible projects and activities are limited to the following:

- Construction of a new treatment facility or upgrade to an existing treatment facility.
- Development of a new 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 to address unsafe drinking water provided by individual (i.e., privately-owned) wells or surface water sources.
- Infrastructure related to pilot testing for treatment alternatives.

SRF BIL EC Funds are being focused on projects addressing any of the perfluoroalkyl and polyfluoroalkyl substances (PFAS). For at least the 2022 and 2023 SRF BIL EC Capitalization grants, only projects addressing PFAS contaminants will be eligible for these funds. The Division recommends that the updated PRS provides high priority to PFOA and PFOS exceeding proposed MCLs and a combination of GenX, PFBS, PFNA and PFHxS exceeding Hazard Index of 1.0 as announced by EPA on March 14, 2023.

The proposed PRS will be applicable for the following funding programs:

- State Revolving Funds
  - CWSRF (Base program)
  - CWSRF BIL EC
  - DWSRF (Base program)
  - DWSRF BIL EC
- State Reserve (Drinking Water and Wastewater)
- Viable Utility Reserve (Construction projects only)

The proposed PRS adds a new project purpose priority (Line Item 1.J) with three sub-line items (1.J.1, 1.J.2 and 1.J.3) for drinking water projects with a primary purpose to address PFAS. Recommended additions to the Project Purpose category (Category 1) are shown in Table 1.

<b>Table 1. Project Purpose Points (Drinking Water Only)</b>			
<b>Line Item #</b>	<b>Category 1.J – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>1.J</b>	Project addresses PFAS emerging contaminants		
1.J.1	Project addresses Emerging contaminants (Construction projects). 100% of the costs are associated with this purpose <b>OR</b>		20
1.J.2	<b>At least 75% of the project is to address Emerging contaminants (Construction projects) OR</b>		15
1.J.3	Main purpose of the project is to evaluate alternatives to address emerging contaminants (may include pilot scale treatment study)		2
<b>Maximum points for Category 1 – Project Purpose</b>			<b>25</b>

The proposed PRS revises Project Benefits Category (Category 2) to include both drinking water and wastewater projects where a portion of the project addresses PFAS. Recommended additions to Project Benefits category (Category 2) are shown in Table 2.

<b>Table 2. Project Benefits</b>			
<b>Line Item #</b>	<b>Category 2 – Project Benefits</b>	<b>Claimed Yes/No</b>	<b>Points</b>
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt		2
2.H.4	Project addresses PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt		10
2.H.5	Project addresses Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS		10
<b>Maximum points for Category 2 – Project Benefits</b>			<b>35</b>

The Division does not recommend any additional prioritization for Categories 3 and 4 of the existing PRS.

**Staff Recommendation**

Staff recommends that the Authority approve the Draft Wastewater and Drinking Water Priority Rating Systems for public review.

**PRIORITY RATING SYSTEM for Drinking Water Projects**

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

<b>Line Item #</b>	<b>Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>1.A</b>	Project will consolidate a nonviable drinking water or wastewater utility		25
<b>1.B</b>	Project will resolve failed or failing infrastructure issues		22
<b>1.C</b>	Project will rehabilitate or replace infrastructure, including replacement by regionalization projects		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old <b>OR</b> lead service lines		8
<b>1.D</b>	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, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
<b>1.E</b>	Project will provide service to disadvantaged areas		20
<b>1.F – 1.I</b>	Reserved for other programs		
<b>1.J</b>	<b>Project addresses PFAS emerging contaminants</b>		
1.J.1	<b>Main purpose of the project is to address Emerging contaminants (Construction projects). 100% of the costs are associated with this purpose <b>OR</b></b>		<b>20</b>

<b>PRIORITY RATING SYSTEM for Drinking Water Projects</b>			
1.J.2	At least 75% of the project is to address Emerging contaminants (Construction projects) <b>OR</b>		15
1.J.3	Main purpose of the project is to evaluate alternatives to address emerging contaminants (may include pilot scale treatment study)		2
<b>Maximum points for Category 1 – Project Purpose</b>			25
<b>Subtotal claimed for Category 1 – Project Purpose</b>			
<b>Line Item #</b>	<b>Category 2 – Project Benefits</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>2.A</b>	Reserved for other programs		
<b>2.B</b>	Project provides a specific public health benefit		
2.B.1	Project addresses dry wells or contamination of a drinking water source; or resolves managerial, technical & financial issues		20
2.B.2	Projects that eliminate lead service lines		10
<b>2.C</b>	Reserved for other programs		
<b>2.D</b>	Project addresses promulgated but not yet effective regulations		10
<b>2.E</b>	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, <b>OR</b>		5
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
<b>2.F</b>	Project includes system merger or regionalization		
2.F.1	Project includes system merger <b>OR</b>		10
2.F.2	Project includes system regionalization and/or system partnerships		5
<b>2.G</b>	Project addresses documented low pressure		10
<b>2.H</b>	Project addresses contamination		

<b>PRIORITY RATING SYSTEM for Drinking Water Projects</b>			
2.H.1	Project addresses acute contamination of a water supply source <b>OR</b>		15
2.H.2	Project addresses contamination of a water supply source other than acute ( <b>this includes 1-4 Dioxane and Manganese</b> ) <b>OR</b>		10
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt		2
2.H.4	Project addresses PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt		10
2.H.5	Project addresses Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS		10
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 <b>OR</b>		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 <b>OR</b>		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 <b>OR</b>		8
2.N.2	Project relocates infrastructure from inside the 100-year floodplain to outside the 100-year floodplain <b>OR</b>		5

<b>PRIORITY RATING SYSTEM for Drinking Water Projects</b>			
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside a 500-year floodplain <b>OR</b>		3
2.N.4	Project fortifies or elevates infrastructure within floodplain, <b>OR</b>		4
2.N.5	Project improves ability to assure continued operation during flood events <b>OR</b>		4
2.N.6	Project downsizes infrastructure related to buyouts <b>OR</b>		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source		3
<b>2.O – 2.S</b>	Reserved for other programs		
<b>Maximum points for Category 2 – Project Benefits</b>			35
<b>Subtotal claimed for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>3.A</b>	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		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
<b>3.B</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% of MHI		5
<b>3.C</b>	Applicant has an approved Source Water Protection Plan and/or a Wellhead Protection Plan		5
<b>3.D</b>	Applicant has implemented a water loss reduction program		5
<b>3.E</b>	Applicant has implemented a water conservation incentive rate structure		3
<b>Maximum points for Category 3 – System Management</b>			15



<b>PRIORITY RATING SYSTEM for Drinking Water Projects</b>			
<b>Subtotal claimed for Category 3 – System Management</b>			
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>	Residential Connections		
4.A.1	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	Less than 1,000 residential connections		8
<b>4.B</b>	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 <b>OR</b>		4
4.B.2	Greater than \$90 <b>OR</b>		6
4.B.3	Greater than \$107 <b>OR</b>		8
4.B.4	Greater than \$129		10
<b>4.C</b>	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3
4.C.2	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<b>4.D</b>	Project benefits disadvantaged areas		5
<b>4.E – 4.G</b>	Reserved for other programs		
<b>Maximum points for Category 4 – Affordability</b>			25
<b>Subtotal claimed for Category 4 – Affordability</b>			
<b>Total of Points for All Categories</b>			

**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 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.**

<b>Line Item #</b>	<b>Category 1 – Project Purpose (Points will be awarded for only one Project Purpose)</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>1.A</b>	Project will consolidate a nonviable drinking water or wastewater utility		25
<b>1.B</b>	Project will resolve failed or failing infrastructure issues		20
<b>1.C</b>	Project will rehabilitate or replace infrastructure, including replacement by a regionalization project		12
1.C.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, <b>OR</b> lines, or tanks to be rehabilitated or replaced are greater than 40 years old		8
<b>1.D</b>	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, <b>OR</b> lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old		8
<b>1.E</b>	Project will provide service to disadvantaged areas		20
<b>1.F</b>	Reserved for other programs		
<b>1.G</b>	Project will provide stream/wetland/buffer restoration		10
1.G.1	Restoration project that includes restoration of a first order stream and includes stormwater infiltration SCMs		5

PRIORITY RATING SYSTEM for Wastewater Projects			
1.G.2	Restoration project that includes restoration and/or protection of riparian buffers to at least 30 feet on both sides of the stream		5
1.H	Project will provide SCMs to treat existing sources of pollution		10
1.H.1	Project that includes SCMs in series that achieve at least 35% nutrient reduction (both TN and TP) and 85% TSS reduction		10
1.I	Project will provide reclaimed water/usage or rainwater harvesting/usage		10
1.J	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.B	Reserved for other programs		
2.C	Project provides a specific environmental benefit		
2.C.1	Project replaces or repairs certain sewer lines, eliminates failed onsite wastewater system or non-discharge system, or resolves managerial, technical & financial issues		15
2.C.2	Project eliminates malfunctioning onsite wastewater systems		10
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		5

PRIORITY RATING SYSTEM for Wastewater Projects			
	Tier 1 county, or addresses an existing or pending SOC, or a DEQ Administrative Order, <b>OR</b>		
2.E.2	Project directly resolves a Notice of Violation or Notice of Deficiency		3
<b>2.F</b>	Project includes system merger or regionalization		
2.F.1	Project includes system merger <b>OR</b>		10
2.F.2	Project includes system regionalization or partnership		5
<b>2.G – 2.H.2</b>	Reserved for other programs		
<del>2.H.3</del>	<del>Project addresses an emerging contaminant without an MCL</del>		<del>10</del>
2.H.3	Project addresses any PFAS compounds exceeding 10 ppt.		2
2.H.4	Project addresses PFOA and/or PFOS compounds exceeding proposed MCL of 4 ppt		10
2.H.5	Project addresses Hazard Index exceeding 1.0 for an individual or combination of GenX, PFBS, PFNA, PFHxS		10
<b>2.I</b>	Project improves treated water quality by adding or upgrading a unit process		3
<b>2.J – 2.M</b>	Reserved for other programs		
<b>2.N</b>	Project provides resiliency for critical system functions		
2.N.1	Project relocates infrastructure from inside 100-year floodplain to outside 500-year floodplain <b>OR</b>		8
2.N.2	Project relocates infrastructure out of a 100-year floodplain <b>OR</b>		5

<b>PRIORITY RATING SYSTEM for Wastewater Projects</b>			
2.N.3	Project relocates infrastructure from between the 100-year and 500-year floodplains to outside the 500-year floodplain <b>OR</b>		3
2.N.4	Project fortifies or elevates infrastructure within floodplain <b>OR</b>		4
2.N.5	Project improves ability to assure continued operation during flood events <b>OR</b>		4
2.N.6	Project reduces the size of infrastructure as a result of a buyout or other abrupt loss of population <b>OR</b>		4
2.N.7	Project provides redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source.		3
<b>2.O</b>	Project directly benefits subwatersheds that are impaired as noted on the most recent version of the Integrated Report		20
<b>2.P</b>	Project directly benefits specific classified waters		10
<b>2.Q</b>	Project will result in elimination of an NPDES discharge		3
<b>2.R</b>	Primary purpose of the project is to achieve at least 20% reduction in energy use		5
<b>2.S</b>	Reserved for other programs		
<b>Maximum points for Category 2 – Project Benefits</b>			35
<b>Subtotal claimed for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>3.A</b>	Capital Planning Activities		
3.A.1	Applicant has implemented an Asset Management Plan as of the date of application <b>OR</b>		10

<b>PRIORITY RATING SYSTEM for Wastewater Projects</b>			
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
<b>3.B</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% of MHI		5
<b>3.C – 3.E</b>	Reserved for other programs		
<b>Maximum points for Category 3 – System Management</b>			15
<b>Subtotal claimed for Category 3 – System Management</b>			
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Claimed Yes/No</b>	<b>Points</b>
<b>4.A</b>	Residential Connections		
4.A.1	Less than 10,000 residential connections <b>OR</b>		2
4.A.2	Less than 5,000 residential connections <b>OR</b>		4
4.A.3	Less than 1,000 residential connections		8
<b>4.B</b>	Current Monthly Combined Utility Rates at 5,000 Usage		
4.B.1	Greater than \$79 <b>OR</b>		4
4.B.2	Greater than \$90 <b>OR</b>		6
4.B.3	Greater than \$107 <b>OR</b>		8
4.B.4	Greater than \$129		10
<b>4.C</b>	Local Government Unit (LGU) Indicators		
4.C.1	3 out of 5 LGU indicators worse than state benchmark <b>OR</b>		3

<b>PRIORITY RATING SYSTEM for Wastewater Projects</b>			
4.C.2	4 out of 5 LGU indicators worse than state benchmark <b>OR</b>		5
4.C.3	5 out of 5 LGU indicators worse than state benchmark		7
<b>4.D</b>	Project benefits disadvantaged areas		5
<b>4.E – 4.G</b>	Reserved for other programs		
<b>Maximum points for Category 4 – Affordability</b>			25
<b>Subtotal claimed for Category 4 – Affordability</b>			
<b>Total of Points for All Categories</b>			