

**North Carolina
Bipartisan Infrastructure Law
Drinking Water State Revolving Fund
Emerging Contaminants Funds
(BIL DWSRF-EC)
Intended Use Plan**

Fiscal Years 2022 and 2023

Original: July 2023

Revised in September 2024: the Project Priority List (Appendix B) and the IUP were revised after a second public comment period. Includes increasing the capitalization grant amount by \$159,000 in FY2022 reallocation funds. All changes are in red font text.

Division of Water Infrastructure

North Carolina Department of Environmental Quality

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1. Introduction

This **updated** Intended Use Plan (IUP) addresses the FY2022 and FY2023 Drinking Water State Revolving Fund Emerging Contaminants (DWSRF-EC) funding made available through the Bipartisan Infrastructure Law (BIL). **The original IUP was approved in July 2023 after a public comment period. The proposed changes to the original IUP are indicated in red font text.**

North Carolina's original FY2022 BIL DWSRF-EC capitalization grant allotment was \$23,201,000. In May 2024, the Division is applying for \$159,000 in FY2022 reallocation funds, bringing the FY2022 BIL DWSRF-EC capitalization grant allotment to a new total of \$23,360,000. North Carolina's FY2023 BIL DWSRF-EC 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 FY2022 and the FY2023 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

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

repayments associated with these funds. The State plans to award FY2022 funds in the Fall 2023 application round and FY2023 funds in the Spring 2024 application round, if there is sufficient demand.

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 Years 2022 and 2023.

North Carolina will receive \$23,201,000 for the original FY2022 BIL DWSRF-EC allotment. In addition, \$159,000 in FY2022 reallocation funds were offered to North Carolina, bringing the total FY2022 BIL DWSRF-EC capitalization grant to \$23,360,000. North Carolina will receive \$21,054,000 for the FY2023 BIL DWSRF-EC allotment. 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).

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 grants (\$934,400 for FY2022, and \$842,160 for FY2023) 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 to include FY2022 reallocation funds)

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 Uses beyond FY 2023 (based on Availability Model)									
Based on FY2022 cap grant (projects already awarded)						\$21,530,000	\$934,400	\$(22,464,400)	\$21,949,600
Based on FY2022 – FY2023 cap grants (projects to be awarded in later funding rounds)						\$21,107,440	\$842,160	\$(21,949,600)	\$0

Values in BLUE as approximate values.

5. Criteria and Methods for Distributing Funds

5.1. Eligible Projects

For FY2022 and FY2023 DWSRF-EC capitalization grants, eligible projects must address any perfluoroalkyl and polyfluoroalkyl substances (PFAS) contaminants.

Priority will be given to eligible projects that address PFOA and PFOS exceeding proposed Maximum Contaminant Levels (MCLs) or address a combination of GenX, PFBS, PFNA and PFHxS exceeding Hazard Index of 1.0.

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 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 disadvantaged areas also receive priority points.

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 MCLs for PFOA and PFOS
 - Projects resulting in waters meeting EPA's proposed Hazard Index for 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.

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** (anticipated Spring 2024 applications), 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 for each funding round. 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 for each funding round.

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 FY2022 and FY2023 capitalization grants, less the amounts used for set-asides and administrative costs. Total amounts available for principal forgiveness is estimated to be **\$22,425,600** for FY2022 and \$20,211,840 for FY2023.

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, (**\$5,606,400** for FY2022 and \$5,052,960 for FY2023) 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. **Projects that qualify under the disadvantaged communities' criteria include projects from applicants that qualify under Affordability criteria defined in Sections 5.4.3.3.1 and 5.4.3.3.2, and projects for which at least 50% of the project costs are to benefit disadvantaged areas defined in Section 5.4.3.4.**

Affordability:

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.

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 targeted project area will be considered a “disadvantaged area” based on factors that shall include:

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

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

5.4.4. 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 requires permitting will be done by 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 (PWS) 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 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 loan 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

A draft IUP and proposed draft Priority Rating Systems were published for public review for a 30-day period starting on June 1, 2023 and ending on June 30, 2023. Public comments related to the DWSRF-EC program and corresponding staff responses are summarized below.

At the time of public comments, the proposed Priority Rating System included a line item 2.H.5, which is referenced in the comments and responses below. Line item 2.H.4 was proposed for projects addressing PFAS compounds exceeding a proposed MCL (10 points), and line item 2.H.5 was proposed for projects addressing PFAS compounds exceeding the Hazard Index (10 points). Since the public comment period, line items 2.H.4 and 2.H.5 have been merged into one line item (projects addressing PFAS compounds exceeding a proposed MCL or Hazard Index) for 10 points, to simplify the PRS. References to line item 2.H.5 below can be equated to new line item 2.H.4 in the Priority Rating System in Appendix D.

The original IUP was adopted in July 2023 after the first public comment period ended in June 2023. In May 2024, the IUP and the included Project Priority List (Appendix B), was updated. The Division provided a second public comment period from May 31 to June 14, 2024 for the revised Intended Use Plan and Project Priority List (Appendix B). **One comment** was received and is included at the end of this section in red font text.

Public comments and responses related to the original public comment period (June 2023) are:

Priority Rating System

Comment: In Section 4 (Affordability), Line Items 4.C.1-4.C.3 gain points with LGU indicators being worse than the state benchmark in increments of one. Sometimes individual indicators do not clearly show the nature of the local government unit and could be skewed. Please clarify why the threshold should incrementally increase by one when the accuracy could be distorted in one indicator.

Response: Staff recognize that individual LGU indicators by themselves may not always accurately reflect the conditions of the LGU. However, the five LGU indicators as a whole provide a strong indication of a LGU's general economic conditions, which affects its ability to afford the proposed project. It is reasonable to provide more priority to LGUs with more indicators reflecting worse than the benchmark values. Staff will continue to evaluate LGU indicators and the Affordability Criteria and make recommendations to the Authority as needed. **Staff recommend no change to the PRS.**

Comment: Line Item 4.C.4 is awarded less priority points than Line Items 4.C.1-4.C.3. Since only one of the Line Items in 4.C can be awarded to an applicant, we recommend changing the priority points awarded for Line Item 4.C.4 to 7 points in order to treat the line items similarly.

Response: The Affordability Criteria's Local Government Unit Indicator metrics (4.C.1 - 4.C.3) are intended to evaluate the community's ability to afford the intended project and are indications of the entire utility being disadvantaged. At least three out of five LGU indicators must be worse than the state benchmark in order to gain priority points, ranging from 3 to 7 points. To qualify for priority points for benefiting disadvantaged areas (line item 4.C.4), the project must benefit a subsection of the service area that is disadvantaged, and that area may only meet one or potentially even none of the LGU indicator metrics. Line item 4.C.4 provides 5 points, which is equivalent to a LGU having four out of five LGU indicators worse than the state benchmark. It is the intent for the PRS to provide higher priority to projects in communities where all five LGU indicator metrics are worse than the state benchmarks. **Staff recommend no change to the PRS.**

Comment: We believe the priority rating systems for DWSRF and DWSRF-EC should be merged for several reasons. From the perspective of an applicant, learning one priority rating system and application process per funding source is easier, especially for a jurisdiction that might be submitting multiple applications. We also expect that a streamlined and uniform process will benefit the Division when evaluating applications. Additionally, a merged priority rating system will allow for these Emerging Contaminant line items to be considered even after the IIJA-specific funding for Emerging Contaminants runs out (if the EC line items will be kept in the priority rating system).

Response: Staff recommends that for application submittal purposes, the PRS for the base SRF and EC funding be combined into one, similar to how the DWSRF, CWSRF, Green Project Reserve, and CDBG-I rating systems are combined into one rating system, yet only certain priority line items would be applicable to certain types of funding programs, including for the EC funding. **Staff recommends that when considering eligible applications for the EC funds, applications will be scored and ranked considering only the relevant priority line items for the EC program, i.e. line items 1.J.1 - 1.J.3, 2.F.2, 2.H.3 - 2.H.5, 3.A, 3.B, and 4.A - 4.C.** This would accomplish the goal of focusing the scoring of applications for EC funding only on items relevant to PFAS projects, while simplifying the application process for the Applicant and the ability to consider an application for multiple sources of funding.

Comment: Recommend that one priority rating system be used for both DWSRF and DWSRF-EC rankings. However, we recommend that equal priority be provided for Line Item 1.B. and Line Item 1.J.1 (i.e., both assigned 22 points). Otherwise, this potentially provides more priority for wells contaminated with PFAS compounds versus surface water systems with the same PFAS compounds.

Response: **Staff recommends that for application submittal purposes, the PRS for the base SRF and EC funding be combined into one, but eligible applications for the EC funds will be scored and ranked considering only the applicable priority line items for the EC program (see above).** Line item 1.B will no longer apply to projects addressing PFAS contamination in private wells, since that prioritization now exists in new line items 1.J.1 and 1.J.2. Projects addressing PFAS contamination in surface water systems and in individual wells will score similar to one another by using the 1.J.1-1.J.3 line items. **Staff**

also recommend not including line item 2.B.1 when scoring applications for addressing PFAS contamination since it would give priority for public water systems (addressing contamination in sources for drinking water systems) over projects providing public water service to replace contaminated individual wells.

Comment: We support the Priority Rating System for Emerging Contaminants funding being incorporated, similar to the Green Project Reserve energy efficiency funding for wastewater treatment plants, into the Drinking Water State Revolving Fund's PRS. Additionally, if a rehabilitation of aging infrastructure project is eligible for Emerging Contaminant funding and receives project benefit line items 2.H.1-2.H.5 points, the project may score higher than if line item 1.J.1 or 1.J.2 is selected for project purpose. Propose to increase the Project Purpose points for line items 1.J.1 – 1.J.3 to make them competitive with rehabilitation applications and more appealing.

Response: **Staff recommends that for application submittal purposes, the PRS for the base SRF and EC funding be combined into one, but eligible applications for the EC funds will be scored and ranked considering only the applicable priority line items for the EC program (see above).** The Division still wants to support much needed replacement/rehabilitation of old infrastructure projects. If those projects also address contaminants including PFAS, they will score the same as 1.J.1 projects that also receive 2.H points. However, only projects with 1.J.1, 1.J.2 or 1.J.3 will be eligible to get BIL EC funding. It is the Division's intent to keep a rehab project addressing primary contaminants at a similar level as a project whose primary purpose is to address PFAS. **Staff do not recommend changes in priority points for line items 1.J.1 and 1.J.2.**

Comment: If the Emerging Contaminants funds will not fully fund the project and additional SRF funds are requested, will applicants have to complete two separate funding applications, or will this Priority Rating System be incorporated with the DWSRF Priority Rating System? We recommend requiring only one application for the project.

Response: **Staff recommends that for application submittal purposes, the PRS for the base SRF and EC funding be combined into one, but eligible applications for the EC funds will be scored and ranked considering only the applicable priority line items for the EC program (see above).** This would allow applicants to submit only one application and claim all of the PRS line item points that apply for the regular SRF funding, while only the EC-related line items will be scored when being considered for BIL EC funding. **Staff recommend no changes to the Priority Rating System.**

Comment: We do not believe the narrowed criteria in the proposed DWSRF-EC PRS is sufficient to account for the relevant features of an Emerging Contaminant project. For example, line item 2.D is relevant as "promulgated but not yet effective regulations" clearly describes the status of Emerging Contaminants that do not yet have proposed MCLs. Also, line item 2.K.1 is relevant as an interconnection between systems can decrease the contaminant level in the combined system or provide additional treatment options.

Response: It is the Department's intent to spend the limited amount of 2022 and 2023 BIL EC funds on projects that specifically address PFAS, which gain points under line items 2.H.3 -

2.H.5. Lin item 2.D, “promulgated but not yet effective regulations” do not apply to PFAS. Further, if a project can prove with calculations that the PFAS concentration can be reduced below the levels established for 2.H.3 - 2.H.5 points by interconnecting, that will be considered as a method of “addressing PFAS issues” and will qualify for 1.J points and 2.F.2 points, which encourages system partnerships (the Guidance will clarify that to be eligible for EC funding consideration, line item 2.F.2 points applies to project activities that would reduce PFAS contamination), and would be redundant in providing priority points. **Staff do not recommend including line items 2.D and 2.K.1 in the Priority Rating System line items that will be considered for BIL EC funding. No change to proposed PRS.**

Comment: The Division also explicitly asks for input on increasing the point values for line items 1.J.3 (evaluating alternatives to address emerging contaminants) and 2.H.3 (project addresses any PFAS exceeding 10ppt). We recommend increasing both of these line items from two to five points.

Response: **Staff recommends increasing line item 1.J.3 and 2.H.3 each to 5 points.**

Comment: Line Item 2.H.3 should not be increased to 5 points. Utilities should be incentivized to implement measures that fully address the issue to an EPA-required level, as half-measures or limited investment is more likely to require subsequent additional investment, which is not a cost-effective approach to maintaining treatment standard compliance in the long run.

Response: We received comments both recommending to increase and not to increase line item 2.H.3. points. This line item addresses PFAS compounds exceeding 10 ppt but without a proposed MCL or Hazard Index and is recommended for increasing to 5 points as DEQ is potentially planning to establish water quality standards for wider range of PFAS compounds and would like to encourage projects addressing PFAS compounds other than those with proposed MCL or Hazard Index. **Staff recommends increasing line item 2.H.3 from 2 to 5 pts.**

Comment: Line Item 1.J.3 should be increased to 5 points to incentivize studies to be applied for to make use of the Emerging Contaminant funds allocated for such efforts.

Response: **Staff recommends increasing line item 1.J.3 from 2 to 5 points.**

Comment: For Line Item 1.J.3, we recommend increasing the line item points and defining “main.” Please clarify if 100% of the project costs have to address emerging contaminants or if this could be a portion of another project.

Response: Yes, 100% of the project costs for line item 1.J.3 must be for planning how to address PFAS contamination. **This will be clarified in IUP in Section 5.1 and the Guidance. Staff recommends increasing line item 1.J.3 to 5 points.**

Comment: Category 1 Project Purpose suggests receiving line item 1.J.1 points if 100% of the project costs are associated with addressing emerging contaminants, versus 75% of the project costs which would earn 1.J.2 points. The percentages are so close we propose

revising line item 1.J.2 to 50% of project costs and also changing the word “main” to “sole” in line item 1.J.1.

Response: **Staff recommends changing the word “main” to “sole” in line items 1.J.1 and 1.J.3.** The BIL Implementation Memo from EPA requires that the *primary* purpose of the projects receiving BIL EC funding must be to address emerging contaminants. Line item 1.J.2 requires that at least 75% of the project costs are associated with addressing emerging contaminants to ensure that that primary purpose of the project is to address PFAS. **Staff do not recommend reducing the 75% project cost requirement to qualify for line item 1.J.2.** In addition, **the Division will add a statement to Section 5.1 in the Intended Use Plan to clarify that only the portions of the project costs associated with the project activities that address PFAS will be eligible for BIL EC disbursements.**

Comment: Recommend adding a lesser priority line item that states the project will address emerging contaminants without qualifying a percentage of project costs addressing emerging contaminants. For example, if only 40% of the project costs are addressing Emerging Contaminants, a local government should be eligible to receive the emerging contaminants funding.

Response: EPA’s BIL Implementation Memo requires that the primary purpose of the projects receiving EC funding must be to address emerging contaminants, and that only the costs associated with addressing emerging contaminants are eligible for BIL EC disbursements. Projects that address multiple purposes are eligible for regular SRF funds as well as other Division grant and loan funding programs and will also rank high with line items 1.C/1.C.1 and relevant 2.H project benefit points (which do not require “primary purpose” to be to address emerging contaminants). Since EC funds are limited, the BIL EC funds will be administered only on projects with a primary purpose or sole purpose of addressing PFAS contamination. **Staff recommends no changes to the PRS.**

Comment: It appears if line items 2.H.3 or 2.H.4 points are claimed, the application automatically receives 2.B.1 points. If not, please confirm how these line items are different.

Response: Line item 2.B.1 is claimed when the project addresses contamination of the source of a public water system. The Division was considering also applying the line item to addressing elimination of individual wells with PFAS contamination, but staff do not recommend this change. A project receiving 2.H.3 or 2.H.4 points will not necessarily receive 2.B.1 points. In order to score projects addressing emerging contaminants in individual wells similarly to addressing emerging contaminants in public water systems and not to provide an advantage of one over the other. Further, the Guidance will be updated to state that only projects that score 2.H.1 or 2.H.2 points may be eligible for line items 2.B.1 points. **Staff recommends that line item 2.B.1 not be considered when scoring eligible applications for BIL EC funding.**

Comment: In the proposed Priority Rating System, is it possible for a well system to get points for PFAS contamination in both line items 1.B and 1.J.1? If so, that seems like an unfair advantage to well systems. Please consider clarifying the criteria to ensure that points for the same issue can only be claimed in one category.

Response: Applications can only claim one project purpose line item (either 1.B or 1.J). EC-funded projects are not eligible for line item 1.B points. Line item 1.B will no longer apply to projects addressing PFAS contamination in private wells, since that prioritization now exists in new line items 1.J.1 and 1.J.2. **Staff recommends no changes to the PRS.**

Project Eligibility

Comment: With the proposed prominent focus on PFAS compounds, other potentially harmful Emerging Contaminants have taken a back seat. While the current Project Benefit criteria accounts for "an emerging contaminant without an MCL", and 2.H of the PRS is proposed to expand to 5 subparts, none of the proposed subparts address emerging contaminants generally, but only specific contaminants that either have a Hazard Index or proposed MCLs. This defeats the purpose of the benefits of tackling Emerging Contaminants and focuses inordinately on specific contaminants. Should another Emerging Contaminant become problematic to a similar degree as PFAS (or even somewhat less so) there is no incentive for a water utility to address this issue proactively and protect its customers, as is supported by the current IUP. The DWSRF program (and especially the DWSRF-EC should that IUP be implemented) should maintain its general focus on Emerging Contaminants and not devalue other potential risks in deference to the most prominent current concerns. The IUP should therefore remain flexible to changing conditions and ensure appropriate value is reflected in the PRS.

Response: EPA's March 8, 2022 memo titled *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law* is clear that a primary purpose for the BIL Emerging Contaminants funds is to focus on reducing people's exposure to perfluoroalkyl and polyfluoroalkyl substances (PFAS). The Department feels that addressing PFAS compounds is the major need for North Carolina at this time. Note that all PFAS compounds, and not just those with proposed MCLs or Hazard Index, are eligible for EC funding and are prioritized in the PRS in line items 2.H.3 - 2.H.5. Projects addressing other emerging contaminants, such as 1,4 Dioxane or Manganese, could qualify for PRS line item 2.H.2 points and are eligible for base SRF funds, although they would not be eligible for BIL EC funds. While the BIL DWSRF-EC funds and BIL CWSRF-EC funds will be limited only to addressing PFAS compounds, projects addressing other emerging contaminants can be funded from the base/BIL General Supplemental Drinking Water /Clean Water State Revolving Funds. Current IUP only addresses FY 2022 and 2023 BIL EC funds and the SRF program, and Priority Rating Systems and IUPs can be modified for future fiscal years if the need arises for other emerging contaminants to be considered. The eligibility for DWSRF-EC and CWSRF-EC funding for FY2022 and FY2023 will remain for projects that address PFAS. **No change to the IUP.**

Administering the DWSRF-EC and CWSRF-EC funding alongside regular SRF funding

Comment: A separate priority rating system, or even a separate IUP, is not needed. Both proposed PRSs remove the general focus on Emerging Contaminants and instead utilize criteria designed to specifically address PFAS compounds. Second, the IUPs should be developed with an eye toward accommodating likely or potential future changes, such as final USEPA MCL standards for PFAS and other Emerging Contaminants. Third, having separate IUPs causes confusion on the appropriate method to apply for projects, especially those that may only partially relate to PFAS mitigation (e.g., a treatment plant rehab that addresses multiple issues at once, including PFAS). If a project meets the current Project Benefits criteria in 2.H, it can be eligible for Emerging Contaminant funds, but is otherwise available for base or supplemental DWSRF funds, and therefore segregating the criteria unnecessarily obscures the goals and benefits of a particular project. Consolidating the determination of eligibility by including multi-pronged projects that may be eligible for an array of funding minimizes the duplication of effort by applicants and processing by DWI, and ultimately is likely to lead to increased applications as there is a greater opportunity to be awarded funds of one form or another. Recommend maintaining the existing criteria in 2.H, as well as adding the proposed subparts, as opposed to removing existing criteria and replacing with PFAS-specific criteria. Suffice to say, PFAS is not the only Emerging Contaminant currently being monitored or that may arise in the near future.

Response: **Staff recommends that for application submittal purposes, the PRS for the base SRF and EC funding be combined into one, but eligible applications for the EC funds will be scored and ranked considering only the applicable priority line items for the EC program (see above).** Separate IUPs are used for the BIL Emerging Contaminant funds to clearly communicate how those funds will be allocated, principal forgiveness amount, maximum award amount, disadvantaged area allocations and set-aside percentages that are different from the base/BIL General Supplemental DWSRF and CWSRF funds. The Division is recommending using one Priority Rating System, but applying specific line items in scoring applications for BIL DWSRF-EC and BIL CWSRF-EC funding as stated above. The IUPs for DWSRF-EC and CWSRF-EC will continue to be separate from the IUPs for the regular DWSRF and CWSRF at least for FY2022 and FY2023 in order to clearly identify how the EC funds will be administered. One of the program requirements for Emerging Contaminants funds is that primary or sole purpose of the project is to address PFAS. Having a separate Project Purpose line item to identify projects that are solely or primarily addressing PFAS (i.e. line items 1.J.1 - 1.J.3) will help determine which applications may qualify for EC funding. **The IUP for BIL DWSRF-EC and BIL CWSRF-EC will be changed in Section 5.4.1.2 to specify that for a project to be eligible for EC funding, the application must successfully claim points under line items 1.J.1 - 1.J.3 and successfully claim points under line items 2.H.3- 2.H.5.** This will ensure that EC funds are spent on projects whose primary or sole purpose is to address PFAS. Please note that existing line items 2.H.1 and 2.H.2 are maintained in the Priority Rating System, and only line item 2.H.3 (and the new line items 2.H.4 and 2.H.5) has been changed to focus only on PFAS. Other contaminants, such as Manganese and 1,4 Dioxane, can claim line item 2.H.2 points. The eligibility for EC funding for FY2022 and FY2023 will remain for projects that address PFAS. This is in line with the needs and

goals of the Department, since there is a high demand for funding specifically to address PFAS contamination. Projects that address multiple purposes but are not primarily or solely to address PFAS may gain other Project Purpose points and still qualify for line items 2.H.3 - 2.H.5, but will not be considered for BIL EC funding. This will ensure that the limited BIL EC funding available will only be applied to projects that are solely or primarily to address PFAS. Only project costs related to addressing emerging contaminants (PFAS) will be eligible for BIL EC funding. **However, line items 1.J.1-1.J.3 is not required for clean water projects to be eligible for BIL-EC funds. CWSRF-EC IUP is updated to reflect this change.**

Comment: Based on the information provided, it is unclear how the Division plans to administer the base SRF funds along with the Emerging Contaminants funding. Since there is limited Emerging Contaminants funding, we request that Division consider offering 0% interest loans or a loan with an interest rate reduction from the base SRF programs to complete the applicant's funding request when the BIL Emerging Contaminant funding cap is met.

Response: If an application scores in the funding range for the BIL EC funding and in the funding range for the regular SRF funding, the application can receive both BIL EC funding (per the Intended Use Plan for BIL DWSRF-EC or BIL CWSRF-EC) and an SRF loan (per the Intended Use Plan for the base/BIL General Supplemental SRF program). BIL EC funding is 100% principal forgiveness up to the relevant cap. Base/BIL General Supplemental SRF funding is a loan with possibilities for principal forgiveness and targeted interest rates, as defined in those IUPs. The existing Affordability Criteria and Disadvantaged Area methodology used to identify projects eligible for a targeted interest rate (as explained in the IUPs for the regular SRF funds) are intended to provide support to communities and systems most in need for financial support. **No change to the IUPs.**

Federal Requirements

Comment: Recommend removal of the federal Brooks Act reference in the DWSRF program since it is not a requirement.

Response: **Section 5.3.5 is updated to remove the provision that Brooks Act requirements apply to DWSRF loans.**

Reserving 50% of the BIL DWSRF-EC funds for projects to evaluate alternatives to address PFAS

Comment: Recommend a reduction of the amount of funding allocated to study projects to 10% of overall funding (proposed is 50% of overall available funding) ... [to] allow more construction projects that are ready to address PFAS contamination (i.e. already conducted evaluations) to move forward with implementation.

Response: Several water systems in North Carolina are discovering the presence of PFAS exceeding proposed MCLs/Hazard Index in their water and need to evaluate their options for addressing the contamination through thoughtful consideration in order to manage costs, prior to implementing expensive fixes. This is in support of the Department's

Strategic Goals, which is a goal for the funding program. Reserving 50% of the BIL DWSRF-EC funding, which is limited, will benefit more systems across the state. If there are not enough eligible applications for evaluation projects to award the 50%, the remainder of this reserve will be made available to other DWSRF-EC eligible (construction) projects in priority order. **No change to the IUP.**

Comment: Section 5.4.1.3 states that “at least 50% of the DWSRF-EC funds available for projects will be reserved for projects to evaluate alternatives to address PFAS.” Set-aside funds may be a better alternative in order to spend more of the emerging contaminants funding on projects. We also recommend removing or reducing the 50% qualification for this criterion.

Response: The Division does not plan to use set-asides from BIL DWSRF-EC funding, which would require that the set-asides only be used for the specified purpose. Instead, funds are being reserved for projects to evaluate alternatives to address PFAS through a competitive application process, and if there are not enough eligible applications for evaluation projects to award the 50%, the remainder of this reserve will be made available to other DWSRF-EC eligible (construction) projects in priority order. **No change to the IUP.**

Comment: Section 5.4.1.3 of the DWSRF-EC IUP states that “50% of the DWSRF-EC funds available for projects will be reserved for projects to evaluate alternatives to address PFAS.” While we think research into treatment technologies is worthwhile, we think that dedicating half of the available funds specifically to that purpose is excessive. The NC General Assembly has been willing to invest in treatment technology research through the NC Collaboratory; virtually every other aspect of PFAS control has received less state funding, including installation of controls at drinking water utilities. In the grand scheme of things, the roughly \$20 million each year for this program is not a large amount of money. The granular activated carbon filtration system added by the Cape Fear Public Utility Authority to treat PFAS came at a cost of \$43 million. Projects to address the most pressing PFAS-related needs will likely also be expensive. Therefore, we think allowing the normal competitive process between proven projects and pilot or alternative projects is more appropriate than limiting the amount of money available for either purpose.

Response: The reserve is intended to provide more systems impacted with PFAS to have an opportunity for funds to evaluate available treatment technologies and make informed decisions on future capital projects to address PFAS for their water system. In addition, it is Public Water Supply Section’s intent to ensure that water systems addressing PFAS perform pilot studies prior to obtaining permitting for water system upgrades. As written, if there is not sufficient demand to use the reserved funds for evaluation projects, the funds will be used to fund capital projects in priority order. **No change to the IUP.**

Disadvantaged communities, disadvantaged areas, and small communities

Comment: Section 5.4.1.4 states that “at least 25% of the DWSRF-EC funds will be provided to disadvantaged communities.” Since the priority rating system currently gives disadvantaged communities priority (Line Item 4.C.4) and there is separate emerging contaminants funding specifically for small and disadvantaged communities, we propose removing this criterion.

Response: Per EPA’s BIL Implementation Memo, the Bipartisan Infrastructure Law requires that at least 25% of the BIL DWSRF-EC funds be provided to disadvantaged communities (as defined by the State under SDWA 1452(d)) or to public water systems serving fewer than 25,000 persons. **No change to the IUP.**

Comment: Section 5.4.3 of the DWSRF-EC IUP establishes a reserve of 25 percent for disadvantaged communities and small systems. We agree that these entities are deserving of prioritization in some form; however, we worry that conflating the two groups misses the opportunity to achieve true equitable distribution of funds.

Like many of the programs from the IJJA, the DWSRF-EC funding is subject to the Justice40 initiative, meaning 40 percent of the funding is intended to be spent to benefit disadvantaged communities. This reserve shows a willingness to meet that goal but falls short in two ways.

First, if the Division means to comply with Justice40 then it makes sense to have the reserve be a full 40 percent of the available funds. Secondly, by also including small systems (those serving fewer than 25,000 people), the Division runs the risk of small systems receiving a bulk of this reserve instead of truly disadvantaged communities. While there may be some overlap between these two criteria, it is not guaranteed.

If the Division is committed to benefitting both disadvantaged and small systems, we recommend separate reserves for those purposes, with a full 40 percent reserve intended for disadvantaged systems.

Response: Per EPA’s BIL Implementation Memo, the Bipartisan Infrastructure Law requires that at least 25% of the BIL DWSRF-EC funds be provided to disadvantaged communities (as defined by the State under SDWA 1452(d)) or to public water systems serving fewer than 25,000 persons. The Priority Rating System also provides additional points to disadvantaged communities and to small systems, which has historically been successful in ensuring that applications from small and disadvantaged communities are prioritized. The Division will review the how the DWSRF-EC funding is awarded in the coming year to determine if an increase to this reserve is necessary. **No change to the IUP.**

Comment: Please differentiate between disadvantaged areas versus disadvantaged communities.

Response: “Disadvantaged communities” are determining to be disadvantaged by using the State’s Affordability Criteria which looks at local government-wide data. A disadvantaged community is generally well-defined as the whole local government by the Local Government Unit indicators as well as other factors as specified in the Intended Use

Plan. Many utilities are serving in local governments that do not qualify as disadvantaged communities, but have some areas that are disadvantaged. A “disadvantaged area” is a smaller area (a subset) within a utility’s service area that has characteristics of being disadvantaged (such as similar metrics used to assess the Local Government Unit indicators) even though the local government as a whole does not qualify as a disadvantaged community. Applicants have an opportunity to use either local government-wide data or project area-specific data related to the Affordability Criteria to demonstrate that the project benefits a disadvantaged community or area. **No change was suggested for the IUP.**

Comment: Recommend that the definition of disadvantaged for emerging contaminants be viewed separately from the Division’s definition of affordability, which includes size, and that only economic indicators (without regard to size) be used in determining eligibility for disadvantaged status with respect to DWSRF-EC funds.

Response: System size is a strong indicator of a utility’s ability to afford a project, and priority is provided to smaller systems with more constrained economic conditions through the funds reserved for disadvantaged communities (an SRF program design). Larger utilities that focus their project to benefit a subsection of their service area that is disadvantaged could also qualify for the DWSRF-EC funds that are reserved for disadvantaged communities. **No change to the IUP.**

Comment: It appears the disadvantaged systems are receiving priority under both the DWSRF-EC program and the EC-SDC program. Please consider combining the application process so the EC-SDC funds are exhausted first and then DWSRF-EC funds are applied to support disadvantaged systems. Also finding a way to consider if the applicant has also received American Rescue Plan Act Grants to address emerging contaminants would be welcome. There are many opportunities for disadvantaged communities to receive funding. If the program could maximize their potential for support in other programs, there might be more opportunity for non-disadvantaged systems to secure funding through the DWSRF-EC program.

Response: A workplan related to the administration of EC-SDC funds is currently under EPA’s review. The workplan includes the ability to fund applications with EC-SDC funding, supplementing the BIL DWSRF-EC funding available for disadvantaged and small communities. However, a minimum 25% of DWSRF-EC funding must be provided to disadvantaged communities or small communities, per the Bipartisan Infrastructure Law, and that requirement cannot be met with other funds such as EC-SDC grants or ARPA grants. **No change to the IUP.**

Comment: The IUP does not address how the DWSRF-EC funds will be coordinated with Emerging Contaminants in Small or Disadvantaged Communities (EC-SDC) funds from the Environmental Protection Agency, which are over \$60 million for federal fiscal years (FFY) 2022 and 2023. For the next three FFYs, the EC-SDC funds are estimated to be another \$90 million. By administering both the DWSRF-EC and EC-SDC funds under the same process, small or disadvantaged systems can be awarded EC-SDC funds in the

same process such that other systems (that do not qualify for EC-SDC) can immediately take advantage of DWSRF-EC funds. Some of those small and disadvantaged systems may also have already received funding under American Rescue Plan Act grants. Recommend that EC-SDC funding be prioritized with DWSRF-EC funds under one application process such that DWSRF-EC funds are awarded to EC-SDC qualifying systems only after EC-SDC funds are exhausted.

Response: A workplan related to the administration of EC-SDC funds is currently under EPA's review. The workplan includes the ability to fund applications with EC-SDC funding, supplementing the BIL DWSRF-EC funding available for disadvantaged and small communities. However, a minimum 25% of DWSRF-EC funding must be provided to disadvantaged communities or small communities, per the Bipartisan Infrastructure Law, and that requirement cannot be met with other funds such as EC-SDC grants or ARPA grants. **No change to the IUP.**

Comment: A disadvantaged or underserved community may be different than a utility with affordability issues. This requirement will only result in applicants breaking projects into multiple pieces to maximize priority points.

Response: Utilities that serve in local governments that do not qualify as disadvantaged communities sometimes serve areas with high poverty, low income, high unemployment, etc. Similar to prioritizing funding in utilities that serve disadvantaged communities, the Division supports prioritizing funding for projects that primarily benefit disadvantaged areas for the same reasons. If an applicant does not qualify as a disadvantaged community, but chooses to focus a project explicitly to a disadvantaged area, the result will be a project that benefits residents who are disadvantaged, such as infrastructure rehab/replacement in areas that may otherwise be neglected. Priority points for disadvantaged area projects (line item 4.C.4) are lower than priority points for disadvantaged communities where five of the Local Government Unit indicators are worse than the state benchmark. **No changes to the IUPs.**

Comment: Please specifically include the White House Climate and Economic Justice Screening Tool as an acceptable mapping system for disadvantaged areas as it has become the standard used by a majority of state SRF programs.

Response: The tool is already included in the application Guidance as an acceptable mapping system for applicants to demonstrate that the project area is a disadvantaged area and qualifies for Priority Rating System line item 4.C.4 points. **The Intended Use Plan already referred to "similar federal maps", and has been updated to specifically include the Climate and Economic Justice Screening Tool in Section 5.4.3.4.**

Funding limits

Comment: Section 5.4.1.7 states the maximum funding of \$5,000,000 per applicant is established for this funding for each funding round. Considering the enormous amount of need for this funding in the state, we propose lowering the funding cap to \$3,000,000 per applicant to spread the principal forgiveness further among applicants.

Response: After considering the relatively high capital costs of a PFAS treatment process, it was decided to set the funding cap to \$5,000,000 to make sure high scoring projects are adequately funded for successful completion. **No change to the IUP.**

Comment: Recommend that the DWSRF-EC Intended Use Plan clearly establishes separate maximum awards – one for DWSRF-EC (\$5 million) separate from the base DWSRF maximum award of \$20 million.

Response: The Intended Use Plan for DWSRF-EC establishes a maximum award limit separately from the Intended Use Plan for base/BIL General Supplemental DWSRF. The limit for DWSRF-EC was proposed to be \$5 million. The limit for base/BIL General Supplemental DWSRF awards is \$25 million (not \$20 million) per funding round. The Intended Use Plans are separate, each describing how each the funds for the applicable programs would be administered. **No change to the IUPs.**

Comment: Please consider providing Emerging Contaminants funding for the percentage of the project that will address emerging contaminants. For example, if 60% of the project cost will address Emerging Contaminants, provide 60% of the total project cost at 100% principal forgiveness.

Response: EPA's BIL Implementation Memo requires that the EC funds be given to projects whose primary purpose is to address Emerging Contaminants, and that only project costs associated with addressing those contaminants are eligible for disbursements. The Division requires that projects whose sole or primary purpose (measured as at least 75% or more of the project cost) is to address PFAS will be eligible for BIL EC funding, and the BIL EC funds will only be given only to the portion that is PFAS-related. If 75% of a project's costs are to address PFAS, then only 75% of the project is eligible to receive BIL EC funding. Projects that do not qualify for BIL EC funding may be eligible for regular SRF funding, which is being administered according to the IUPs for the base/BIL General Supplemental SRF programs. **No change to the IUP.**

Comment: The IUP does not establish a separate maximum DWSRF-EC award for preliminary evaluations and for construction projects. In most of the Division of Water Infrastructure's funding programs, study awards have a much lower maximum than construction projects. We recommend a smaller study project maximum award cap that is lower than the maximum award provided in the IUP (i.e., \$5 million). For example, a maximum award for studies of \$500,000 and a reduction of the amount of funding allocated to study projects to 10% of overall funding (proposed is 50% of overall available funding).

Response: **The IUP for the BIL DWSRF-EC has been updated in Section 5.4.1.8 to establish a \$500,000 funding limit per applicant per funding round for projects to evaluate alternatives for addressing PFAS (i.e. projects that receive line item 1.J.3 points).** Construction projects may include the cost of evaluating alternatives in the total project cost, which is limited to \$5 million per applicant per funding round. Applicants will not receive an evaluation study award for the same project that they receive a construction funding award in the same funding cycle.

Comment: Consider establishing a separate funding cap for the study projects and reducing the percentage of funds allocated to study projects awarded under the DWSRF-EC program to 10% or 20% of the total funding. This would allow for a similar amount of studies but a larger share of funding for construction.

Response: **The IUP for the BIL DWSRF-EC has been updated in Section 5.4.1.8 to establish a \$500,000 funding limit per applicant per funding round for projects to evaluate alternatives for addressing PFAS (i.e. projects that receive line item 1.J.3 points).** However, it is the intent of the Division to reserve 50% of the funds for projects to evaluate alternatives for addressing PFAS as described in other comment responses.

Comment: Support the proposed provision to increase awards over the \$5 million maximum award for DWSRF-EC funds if available funds exceed demand, which is consistent with the base DWSRF program.

Response: Thank you for the comment. **No change was suggested to the IUP.**

Outreach and project selection

Comment: The current model for distributing loans from the State Revolving Funds relies on a competitive process that puts the onus for application on the jurisdiction in need. While this allows for consistency and impartiality, it also requires the dedication of time and resources from entities that may lack the ability to pursue needed funds. The Division could identify PFAS-impacted communities using available UCMR5 data, file applications on their behalf, score those applications accordingly, then recommend a funding scenario to the State Water Infrastructure Authority that would allocate awards to those jurisdictions.

Response: SRF funds are available to all eligible entities and are not pre-determined for a certain subset of utilities. The Division encourages an open and competitive application process for all eligible entities for SRF funding. The EC-SDC funding does not need to be administered in the same manner as SRF funding. The current workplan for EC-SDC funding that is under review by EPA includes a process for project selection for a portion of the funds in a manner similar to that proposed in the comment. For BIL DWSRF-EC funds, the Division will conduct targeted outreach to known PFAS-impacted communities to inform them of funding opportunities, including the ability to apply for funding to evaluate alternatives, and connect them with technical assistance providers to assist with application preparation as needed. **No change to the IUP.**

Comment: DEQ will have access to UCMR5 data on the occurrence of PFAS in public water systems. The Division can encourage impacted systems to apply for the available funding and share resources such as available training and technical assistance with these systems.

Response: Thank you for the comment. The Division plans to conduct targeted outreach to known PFAS-impacted communities to inform them of funding opportunities, including the

ability to apply for funding to evaluate alternatives, and connect them with technical assistance providers to assist with application preparation as needed. **No change was suggested to the IUP.**

Public comment and response related to the second public comment period (May 31 – June 14, 2024):

Comment: In Section 5.4.3.3.2, the definition of disadvantaged community has been extrapolated to include certain local governments designated as distressed. As these two different classifications of local governments only occasionally overlap, and often not in full (e.g. a local government designated as distressed may have areas within their jurisdiction that qualify as disadvantaged, but often are not fully overlapping with disadvantaged block groups), we suggest removing this new addition that redefines the term “disadvantaged” to a standard that does not appear in the current Priority Rating System nor appears to be included in any other current/draft IUPs other than the FY2024 IUP for BIL DWSRF Emerging Contaminants Funding. Creating this new definition also directly contradicts the Draft FY2024 Base & BIL General Supplemental IUPs for DWSRF and CWSRF, as it unfairly conveys an additional potential funding benefit to systems that are otherwise excluded from qualifying as disadvantaged areas for projects that convey system-wide benefits (e.g. it introduces the possibility for unfair prioritization for funding by allowing non-disadvantaged communities that are designated as distressed to potentially bypass projects that correctly meet the new definition of “disadvantaged area”).

If this section is not removed, we suggest either ensuring that this new definition of “disadvantaged” with the associated potential funding benefit is extended through all funding programs consistently or we otherwise suggest excluding communities designated as distressed under Identification Criteria #2, as failure to submit audits for two consecutive years does not correlate with any of the criteria for being disadvantaged whereas fiscal control by the Local Government Commission and/or several of the Assessment Criteria may correlate. This would also be consistent with SWIA and the LGC deciding to no longer automatically designate local governments under this Identification Criteria as well.

Response: Since 2021, the definition of disadvantaged communities under the Affordability section for the DWSRF and CWSRF programs have included the same definition that is shown in Section 5.4.3.3.2. That text was inadvertently left out of the original Intended Use Plan for the BIL DWSRF-EC program. The addition of Section 5.4.3.3.2 is intended to correct that unintentional omission and to include the same portion of the definition of disadvantaged communities under the Affordability section that has existed in other DWSRF and CWSRF Intended Use Plans since 2021 (e.g., see the second paragraph of Section 5.3.2.2.2 of the FY2023 DWSRF IUP and of the FY2023 CWSRF IUP for nearly identical text). The same text is also included in the draft FY2024 Intended Use Plans for all SRF programs. It is understandably confusing to label Section 5.4.3.3 only as

“Disadvantaged Communities are:” since other IUPs reference this as the Affordability section. To clarify, Section 5.4.3.3 has changed from being labeled as “Disadvantaged Communities are:” to “Projects that qualify under the disadvantaged communities’ criteria include projects from applicants that qualify under Affordability criteria defined in Sections 5.4.3.3.1 and 5.4.3.3.2, and projects for which at least 50% of the project costs are to benefit disadvantaged areas defined in Section 5.4.3.4.” A new “Affordability:” label is added before Sections 5.4.3.3.1 and 5.4.3.3.2. These changes help make this Intended Use Plan a little more consistent with other Intended Use Plans that use the same definitions of Affordability and Disadvantaged Areas. A key difference is that while Affordability and Disadvantaged Areas are used in other SRF programs to determine eligibility for additional subsidies, the entire BIL DWSRF-EC and BIL CWSRF-EC funding is offered as 100% principal forgiveness by federal law. Instead, the affordability and disadvantaged areas sections are used in the BIL DWSRF-EC program to ensure that at least 25% of the funding is offered to applicants that qualify under disadvantaged communities or small systems criteria.

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.

Appendix A

Set-Aside Activity Description

A. Program Administration

For Fiscal Years 2022 and 2023, up to 4% of the capitalization grants (up to \$934,400 for FY2022 and up to \$842,160 for FY2023) 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
Intended Use Plan Project Priority List for BIL DWSRF-EC Funds
 Last Updated: September 2024

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

The Project Priority List presented below is based on applications received and funding awards made by the State Water Infrastructure Authority.

This project priority list itemizing the output/outcomes of the policies and procedures outlined in this Intended Use Plan for the FY2022 and FY2023 funds. Projects selected for FY2022 BIL DWSRF-EC funding have received Letters of Intent to Fund and are awaiting loan agreement execution. Projects for FY2023 funds will be selected in July 2024.

Spring 2024 Application Round – Funded Projects shown in the “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.

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	Previously partially funded. \$2.16M fully funds remainder.	\$2,160,000	60	Feb. 25
Fayetteville Public Works Commission	PO Hoffer Glenville Lake GAC Construction	Construction	NC0326010	214,137	Cumberland	\$74,307,300	Previously partially funded. Co-funded with DWSRF.	\$5,000,000	58	Feb. 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
Fuquay-Varina, Town of	Sanford WFF - GAC Facility	Construction	NC0392055	39,065	Wake	\$10,532,889	Co-funded with DWSRF.	\$5,000,000	56	Aug. 25
Holly Springs, Town of	Sanford WFF Expansion – GAC Facility	Construction	NC0392050	45,058	Wake	\$7,021,926	Co-funded with DWSRF.	\$5,000,000	54	Aug. 25
Cape Fear Public Utility Authority	Alandale Area Water Extension - PFAS	Construction	NC0465010	205,385	New Hanover	\$2,548,075	To be funded with EC-SDC funds		54	
Aqua North Carolina, Inc	Brookwood Community Ion Exchange Filters	Construction	NC0326127; NC0326124; NC0326332	31,213	Cumberland	\$5,795,400	Last funded construction project to fund evaluation/assessment projects. Co-funded with DWSRF.	\$1,447,440	52	Aug. 25
Greensboro, City of	Greensboro Mitchell ATEC	Construction	NC0241010	320,756	Guilford	\$55,674,000	Bypassed to fund Evaluation/ Assessment Reserve		50	
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	17,232	Granville	\$22,210,000	Bypassed to fund Evaluation/ Assessment Reserve		47	
Goldsboro, City of	PFAS Treatment Improvement Project	Construction	NC0496010	34,959	Wayne	\$35,584,800	Bypassed to fund Evaluation/ Assessment Reserve		46	

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
Greenville Utilities Commission	GAC Filter Media Replacement	Construction	NC0474010	103,140	Pitt	\$1,815,000	Bypassed to fund Evaluation/ Assessment Reserve		42	
Burlington, City of	GAC Construction Project	Construction	NC0201010	59,287	Alamance	\$28,160,000	Bypassed to fund Evaluation/ Assessment Reserve		40	
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	
Roanoke Rapids Sanitary District	Drinking Water Emerging Contaminant Study	Evaluation/Assessment Project	NC0442010	16,615	Halifax	\$500,000		\$500,000	39	Aug. 25
Piedmont Triad Regional Water Authority	PFAS Construction RO Treatment System	Construction	NC3076010	367,681	Randolph	\$74,646,250	Bypassed to fund Evaluation/ Assessment Reserve		37	
Goldsboro, City of	PFAS Treatment Evaluation and Pilot	Evaluation/Assessment Project	NC0496010	34,959	Wayne	\$500,000		\$500,000	31	Aug. 25
Orange Water and Sewer Authority	PFAS Treatment at Jones Ferry WTP	Evaluation/Assessment Project	NC0368010	86,300	Orange	\$500,000		\$500,000	28	Aug. 25
Asheboro, City of	W L Brown WTP Emerg Cont Planning Study	Evaluation/Assessment Project	NC0276010	27,472	Randolph	\$500,000		\$500,000	23	Aug. 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
Rocky Mount, City of	PFAS Treatment at Rocky Mount WTPs	Evaluation/Assessment Project	NC0464010	55,047	Nash	\$500,000		\$500,000	22	Aug. 25
Total						\$358,627,340		\$21,107,440		

Total funding requested: \$358,627,340, including reconsidered applications. Total funding awarded: \$21,107,440.

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.

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 Construction	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	
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	

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, 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
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	

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

Applicant Name	Project Name	Project Type	PWSID	Service Population	County	Total Funding Request	Notes	DWSRF-EC Principal Forgiveness Funding	Priority Points	Estimated Binding Commitment
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
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. Total funding awarded: \$21,530,000.

TOTALS

Cumulative awards to date = \$42,637,440 (from \$21,530,000 in Fall 2023 and \$21,107,440 in Spring 2024). This is split between FY2022 DWSRF-EC cap grant (\$22,425,600) and FY2023 DWSRF-EC cap grant (\$20,211,840).

	FY2022 DWSRF-EC	FY2023 DWSRF-EC	Total Over Two Cap Grants
Total Awarded	\$22,425,600	\$20,211,840	\$42,637,440
Funding Availability for projects (excluding the set-asides)	\$22,425,600	\$ 20,211,840	\$42,637,440

Appendix C
2022 and 2023 BIL DWSRF-EC Proposed Payment Schedule
 (Dependent on timing of state match and award of federal grant)

<u>Payment Quarter</u>	<u>2022 EC Payment Amount</u>	<u>2023 EC Payment Amount</u>
April 1, 2023 – June 30, 2023		
July 1, 2023 - September 30, 2023		
October 1, 2023 - December 31, 2023		
January 1, 2024 - March 31, 2024		
April 1, 2024 - June 30, 2024	\$23,360,000	
July 1, 2024 - September 30, 2024		
October 1, 2024 - December 31, 2024		
January 1, 2025 – March 31, 2025		\$21,054,000
Total	\$23,360,000	\$21,054,000

Appendix D
PRIORITY RATING SYSTEM for DWSRF-EC Projects

2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects			
<p><u>Instructions:</u> For each line item, mark "X" to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Total of Points for All Categories in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>			
Line Item #	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Claimed Yes/No	Points
1.A – 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.1	Sole purpose of the project is to address Emerging Contaminants (construction projects) where 100% of the costs are associated with this purpose OR		20
1.J.2	At least 75% of the project costs are to address Emerging Contaminants (construction projects) OR		15
1.J.3	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			20
Subtotal claimed for Category 1 – Project Purpose			
Line Item #	Category 2 – Project Benefits	Claimed Yes/No	Points
2.A- 2.F.1	Reserved for other programs		
2.F.2	Project includes system regionalization and/or system partnerships		5
2.G	Reserved for other drinking water projects		
2.H	Project addresses contamination		

2023 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	Project addresses any PFAS compounds exceeding 10 ppt or State-established regulatory standards or limits OR		5
2.H.4	Project addresses PFAS exceeding proposed MCL or Hazard Index		10
2.I – 2.S	Reserved for other programs		
Maximum points for Category 2 – Project Benefits			15
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% 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 #	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

2023 PRIORITY RATING SYSTEM for DWSRF-EC Projects			
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 OR		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 OR		7
4.C.4	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			