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Drinking Water State Revolving Funds Now Available to Private Water Companies

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Christopher J. Ayers

With the passage of the state budget, the North Carolina General Assembly has made investor-owned utilities eligible to apply for loans and grants from the Drinking Water State Revolving Fund (DWSRF). The DWSRF is a federally-funded program designed to fund drinking water improvement projects and is administered by the North Carolina Department of Environment and Natural Resources Division of Water Resources (formerly the Division of Environmental Health). The program is designed to remedy serious risks to human health and facilitate compliance with the N.C. Drinking Water Act and federal Safe Drinking Water Act through low interest loans. Loans are made at one-half of the prevailing national market rate for a period of up to twenty years, with the current loan rate at 2.455%.

Prior to the budgetary changes, DWSRF loans and grants were only available to local governments or nonprofit water corporations. Beginning this year, privately owned utilities can apply for these grants as well. The legislative change opens the door for private utilities to use low-cost loans to finance capital infrastructure replacements and improvements related to drinking water. In 2010, North Carolina received a federal allotment of over \$35,500,000 for the DWSRF program. Pursuant to state regulations, the maximum loan commitment to any applicant in any fiscal year is \$3,000,000 for construction and \$25,000 for planning purposes.

DWSRF eligible projects include: rehabilitation or development of water sources to replace contaminated sources; installation/upgrade of treatment systems; storage; distribution; system consolidation; and purchase of capacity in third party systems. Eligible project costs include: planning; design; construction; legal/fiscal/admin; and environmental assessment costs. In 2010,

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DWSRF funds were used to construct water treatment plants to reduce CCPCUA-mandated groundwater withdrawals, install new filters and treatment equipment to improve water quality and install water transmission lines to interconnect to larger municipal systems. Projects not eligible for funding include: dam construction or rehabilitation; water rights acquisition; monitoring; operation and maintenance; fire protection; and future growth projects. Additional restrictions prohibit the award of funds to systems that lack the technical, managerial and financial ability to ensure compliance with the Water Infrastructure Act.

Pursuant to federal law, the state must make at least 15% of the funds available to public water systems that regularly serve fewer than 10,000 customers. Additionally, at least 20% of the funds must be available for “green” projects, which focus on water or energy efficiency improvements or environmentally innovative activities.

Applications for funds from the DWSRF must be submitted to the Public Water Supply Section by September 30, 2011. As a general rule, projects are ineligible if a construction contract has already been awarded unless the project is an emergency or the application is subject to an administrative or Division order. The Division of Water Resources evaluates the proposals and assigns priority to each eligible application. Factors considered by the Division include: facilitation of compliance with state and federal drinking water acts, alleviation of public health concerns, reliability of water system, affordability of project and source protection and management. Additional consideration is given for disadvantaged business enterprises.

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