grant proposals to be provided to EPA.

3.1 Selecting Projects for the Base, Supplemental, LSL and Emerging Contaminant DWSRF

Applications for DWSRF funding were required to submit a preliminary application by June 1, 2023. Projects were identified as being eligible for Base DWSRF, Supplemental DWSRF and/or Emerging Contaminant DWSRF. Applications for LSL replacement projects are accepted at any time. Projects meeting the eligibility criteria for one or more of the DWSRF programs were ranked using the criteria described in this section. Projects were then allocated funding from the applicable four DWSRF programs such that the number of projects with the highest ranking that are funded is maximized. Separate of the ranking process described above, NHDES intends to make water systems aware of grant funding not associated with DWSRF for disadvantaged water systems to address PFAS via a WIIN grant or the state PFAS RLF.

3.2 2023 DWSRF Ranking Criteria

Project priority points (P) will be derived using the following formula:

$$P= (A+B+C+D+E+F+G+H+I+J+K+L)$$

A = Current or Projected Violations of Drinking Water Standards or Trigger Levels
B = Water Source and Supply Deficiencies
C = Pump Station/Water Treatment Plant Deficiencies
D = Storage Deficiencies
E = Distribution Deficiencies
F = Affordability
G = Capacity Development/Asset Management
H = Green
I = Resiliency
J = Consolidation/Interconnection
K = Critical Infrastructure
L = Project Readiness/Synergies

NHDES utilizes a ranking system to prioritize the order in which eligible projects will be financed. Projects are ranked based upon the relative impact of the project in achieving the objectives of the Safe Drinking Water Act and, in 2023, priority will continue to be given to projects in disadvantaged communities. In general, highest priority will be given to projects in disadvantaged communities that facilitate compliance with national primary drinking water regulations applicable to the system under title 1412 or otherwise significantly further the health protection objectives of this title (1452(a)(2)). Projects in need of improved capacity will also be given priority. Although, there is not a requirement to fund “green” projects, NHDES intends to award priority points for certain types of green projects identified in a system’s energy or water use efficiency or sustainability plan.

Joint projects that involve two or more applicants, that are seeking funding as one project, will be ranked as one project. Ranking points cannot be double counted, but if one applicant is eligible for points from a particular category (e.g., capacity points) then the whole project is eligible for those points.

Criteria and ranking points are described below. Criteria and points apply to the system applying for assistance. For projects where an interconnection is proposed, points can be awarded for the relief of problems in the satellite system(s).

A = Current or Projected Violations of Drinking Water Standards or Trigger Levels

MCLs are established by the federal or state Safe Drinking Water Act (SDWA) for those contaminants which may be detrimental to public health. Exceedances of these levels in the last year (retroactive exceedances for recently adopted MCLs and the last three years for Inorganic Chemical [IOCs] and secondary contaminants) at community public water systems, of contaminants that will be addressed by the project, carry the following weightings. Points are given for all the following categories that apply to a system and will be addressed by the project:

Table 2 A = Current or Projected Violations of Drinking Water Standards or Trigger levels

Category	Subcategory	Priority Points
a. Total and fecal coliforms	1. Boil order	60
	2. Greater than 2 assessments due to positive coliform (not monitoring or reporting)	40
	3. 1-2 TCR assessments due to positive coliform (not monitoring or reporting)	30
b. Chemical Violations	1. MCL violation or HA/AGQS exceedance	60
	2. Levels >50% of MCL/HA/AGQS or >0.1, <0.3 mg/L Mn	30
c. Filtration or Disinfection related Treatment Techniques	1. Greater than 2 violations	60
	2. 1-2 treatment technique violations	30
d. Disinfection Byproducts MCL violations	1. Greater than 2 violations	52
	2. 1-2 MCL violations	40
	3. LRAA greater than 80% of MCL	20
e. Lead and Copper (At the 90th percentile)	1. Lead levels above 0.010 mg/L	52
	2. Copper levels above 1.3 mg/L	40
f. Secondary Standards	Any exceedance of a secondary MCL(unless exceedance of a primary MCL/AGS for the same contaminant)	20

B = Water Source and Supply Deficiencies

Deficiencies related to water source and supply. The public health and compliance risks associated with water supply deficiencies include quantity, reliability and redundancy. The following priority points may be assigned only for current or recent (within last five years) unaddressed shortages. Projects related to future growth or expansions are not eligible for funding.

Table 3 B = Water Source and Supply Deficiencies

Category	Priority Points
Continual shortage (daily)	36
Shortage during seasonal high use or to meet maximum day demand	34
Shortage of supply due to source impairment	18
Shortage of supply due to operational/mechanical deficiency	16

C = Pump Station/Water Treatment Plant Deficiencies

Design or operational deficiencies which could adversely affect a system's ability to continually provide drinking water which meets SDWA standards and ensure operator safety. Points are given to projects that address deficiencies or recommendations.

Table 4 C = Pump Station/Water Treatment Plan Deficiencies

Category	Priority Points
Deficiencies or recommendations related to SWTR optimization/groundwater under the influence of surface water	26
Confined space pumphouse/other safety issues	18
Deficiencies or recommendations related to treatment optimization of groundwater	18
Deficiencies or recommendations related to pump house identified during sanitary survey	16
Mandated disinfection of groundwater system	14
Inadequate water treatment wastewater disposal (backwash or sludge)	14
Lack of backup power source or transfer switch	5

D = Storage Deficiencies

Storage deficiencies related to quantity and ability to continually meet design standards. Points are given to projects that address deficiencies or recommendations.

Table 5 D = Storage Deficiencies

Category	Priority Points
No or inadequate atmospheric storage capacity	30
Pressure tank deficiency	30
Storage deficiency to meet peak hour demand	15
Other storage tank deficiency or recommendation identified during sanitary survey	10

E = Distribution Deficiencies

Design and operational deficiencies which could adversely affect a PWS ability to continuously provide drinking water that meets SDWA standards. Points are given to projects that address deficiencies or recommendations.

Table 6 E = Distribution Deficiencies

Category	Priority Points
Catastrophic failure of water distribution main	40
Chronic failure of water main	30
Inadequate valving and flushing locations	15
Other distribution deficiencies or recommendations (e.g., pressure issues)	15
New meter installation or upgrade of existing service meters	12

F = Affordability

Affordability is an indicator of a rate payer's ability to afford rate increases that may result from a project. Affordability is determined by a ratio that compares the average water rate to the median household income of the community that is applying for funding. Below is a table which provides points based on this ratio. Only year-round communities will be eligible for these points. The water rates are based on the most recent information compiled by NHDES in its 2023 water rate survey report or from information provided directly by the applicant at the time of the pre-application. The median household income (MHI) is the income data compiled by the U.S. Census Bureau 2017-2021 American Community Survey. The affordability ratio is calculated by dividing the water rate by the community median household income times 100.

Table 7 F = Affordability

Affordability Ratio (Water Rate/MHI)	Priority Points
2.00 or more	25
1.6 to 1.9	20
0.8 to 1.5	15

G = Capacity Development/Asset Management

Public Water Systems are notified of recommended improvements in their sanitary survey report or technical assistance site visit reports and are tracked in our capacity development program. Also, projects identified through an Asset Management/Business Plan (AM) plan are prioritized. Systems on the capacity development list are typically very small systems but are not limited to system size. Points can only be for one category.

Table 8 G = Capacity Development/Asset Management

Category	Priority

	Points
Project is based on the system's AM plan	20
System is actively being provided technical assistance by NHDES/TA provider. Project addresses a recommendation identified through the NHDES capacity development program.	18

H = Green

Projects that include energy or water efficiency improvements will be assigned ranking points. In general, green projects include, but are not limited to, energy generation, leak repair, pump efficiency, water infiltration/storage projects, high efficiency pumps and motors, variable frequency drives in lieu of throttling valves, or any other activities identified in a NHDES-approved water conservation plan or comprehensive energy or water audit.

Table 9 H = Green

Category	Priority Points
Project is based on the system's energy or water audit	15
Project fixes documented leaks	5
Project incorporates energy or water efficient design elements	5

I = Resiliency

Proposed project will aid in preparation for adaptation to the long-term effects of climate variation or extreme weather. Projects must be consistent with State or Federal climate change studies or statewide resiliency planning documents recognized and supported by NHDES.

Table 10 I = Resiliency

Category	Priority Points
Project relocates infrastructure out of a floodplain	15
Project includes improvements based on a climate change vulnerability assessment	15
Project fortifies or elevates infrastructure within floodplain	10
Project improves source water's resiliency to quality or quantity impairment (e.g., developing a new source for diversification)	10
Project improves system resiliency other than source water (e.g., pumps, storage tanks, water main)	5

J = Consolidation/Interconnection

Table 11 J = Consolidation/Interconnection

Category	Priority Points
Project will consolidate two or more PWS resulting in the inactivation of at least one PWS	30
Project will connect existing households/private homes with contaminated or inadequate yielding water supplies. (DWSRF cannot fund new construction homes/developments)	30
Project will interconnect 2 or more PWS and supplement water supply between PWS (year-round and/or seasonally)	20
Project will interconnect 2 or more PWS for emergency water supply	15

K = Critical Infrastructure

If the project upgrades, replaces or supplements critical infrastructure components such as sole sources of supply, water treatment plant, storage tanks, transmission mains, river crossings, or other such infrastructure the failure of which could interrupt water service to the entire water system, or a significant portion thereof, then the project will be assigned ranking points.

Table 12 K = Critical Infrastructure

Category	Priority Points
Single point of failure, will interrupt service to entire water system	20
Single point of failure, will interrupt service to significant portion of water system	15
Project includes a cybersecurity improvement based on cyber assessment	12
Critical infrastructure with redundancy, operations are affected but service is not interrupted	10

L = Project Readiness/Synergies

Proposed project is expected to result in expeditious use of funds. Projects can receive points for both categories.

Table 13 L = Project Readiness/Synergies

Category	Priority Points
Project is coordinated with a lead service line replacement project (i.e., water main replacement concurrently with lead service line replacement)	40
Project has received authority to borrow funds	30
Project has submitted 50% or greater plans to NHDES for review	20
Project is coordinated with another infrastructure improvement “complete streets” project	10

3.3 Project Eligibility

Eligible applicants for project funding include municipal or privately owned community water systems and non-profit organizations that operate public water systems that are non-community but serve a non-transient population such as: schools, hospitals and large workplaces. Community water systems with less than 50% of households whose residents are occupied full time (at least six months of the year) are not eligible for points under Category F and will not receive subsidization.

3.4 Tie-Breaking Procedure

When two or more projects score equally under the Project Ranking Formula, tie-breaking procedures will be utilized. The first tie-breaking procedure is related to long-term financing of the projects. A project that intends to use the DWSRF for long-term financing will receive the higher ranking. If both projects are to use the DWSRF for long-term financing, in order to direct financial resources where they will benefit the greatest number of people, and because the vast majority of New Hampshire’s systems are either small or very small, (statewide, only 18 systems serve greater than 10,000 people) the project with the greater existing population served will receive the higher ranking.

3.5 Bypass Procedure

Because of the need to apply quickly for available federal dollars and the unpredictability of when funds become available, projects that score high but cannot obtain authority to borrow before June 2024, may be temporarily by-passed. Also, a project on the fundable portion of the main list may be bypassed if it is determined that the project will not be ready to proceed for other reasons during the funding year or, there are other funding sources available for the project or, if the cost of the project will prevent the state from meeting the small systems and subsidy requirements. Any applicant whose project is to be bypassed will be given written notice by NHDES. It is NHDES’ intent to work with these systems to assist them in getting ready to proceed. Funds which become available due to the utilization of the bypass procedure will be treated in the same way as additional allotments.

3.6 Emergency Projects

Projects necessary to alleviate emergency situations that result in an imminent threat to public health, such as: the total loss of water supply or loss of a major component due to a natural or unforeseen disaster which could not have been prevented by the applicant (e.g. tornado, flood, severe weather, fire, collapse, emerging contaminant that is acute in nature for some population, etc.), or other water emergencies which could not have been prevented by exercise of

reasonable care by the applicant, can be immediately elevated to the top of the Project Priority List (PPL) at the discretion of NHDES.

3.7 Assistance to Small Systems

A minimum of 15% of the total amount available for assistance from the fund must be made available to provide infrastructure loan assistance to systems serving fewer than 10,000 people. Accordingly, NHDES intends to dedicate at least $740,700 from the Base DWSRF, $3,158,250 from the Supplemental DWSRF, and $1,146,000 from the Emerging Contaminants DWSRF for loans to eligible small systems for eligible infrastructure projects.

3.8 Disadvantaged Community/System Program

NHDES will provide loan subsidies to disadvantaged communities as required by law for the Base DWSRF, Supplemental DWSRF, and Emerging Contaminant DWSRF. This is described in more detail in Sections 2.5, 4.5, 5.5 and 6.3 of this document.

3.8.1 Definition of a Disadvantaged Water System

A disadvantaged community or system includes:

1. Financially Disadvantaged Water Systems—Non-transient public water system or community that serves residents whose median household income (MHI) is less than the statewide MHI (Attachment D) based on the most recent census data and/or income survey. If an applicant for DWSRF assistance meets the definition of "disadvantaged" and if the water rate exceeds the statewide affordability criteria (see section 3.8.3), it may be eligible for subsidies from the Disadvantaged Community/System Program. Subsidies will be available in the form of principal forgiveness. This program only applies to infrastructure projects; and
2. Environmentally Disadvantaged Water Systems - Non-transient public water system or community that is: 1) Affected by environmental pollution, naturally occurring contaminant(s) and/or has lead in the water supply or service lines; and 2) Is at risk for negative health effects due to contamination and/or there is water supply or lead service lines containing lead.

3.8.2 Limitations to Disadvantaged Program Assistance

To qualify for disadvantaged program assistance, at least 50% of the residential units served by the water system must be occupied at least six months of the year. Additionally, to qualify as a financially disadvantaged water system, the population using the water system at least six months of the year must meet the disadvantaged income criterion (i.e. Project MHI < Statewide MHI).

Design only projects and projects requesting interim financing will also not be eligible for disadvantaged system assistance.

3.8.3 Affordability Criteria and Terms of Financial Assistance for Financially Disadvantaged Water Systems

Affordability of a proposed project considers both the water rate (based on usage of 71,996 gallons per household per year) and the MHI of the community system or community in which the system exists. An affordable project is one that results in user rates that do not exceed 0.8% of the system or town MHI. For the purpose of determining the level of subsidy given the applicant through the Disadvantaged Community/System Program, the following process is followed:

Communities or systems requesting a loan that have a MHI less than the statewide MHI (based on the most recent census data and/or income survey), which for NHDES is $83,449 using the 2017 - 2021 American Community Survey data, are identified and considered disadvantaged. Provided they score enough points to be funded using the previously described prioritization ranking methodology, they will be given a subsidy in the form of principal forgiveness to bring the resulting user rate closer to being considered "affordable." The level of subsidy is determined by using an Affordability Index, which serves to measure the impact of a project on a disadvantaged community. The index is calculated by dividing the water rate by the community or community system's MHI. Loans, rates and terms for this program will be the same as those for standard project loans.

3.9 Financial Assistance and Water System Capacity

Prior to funding any project, every effort is made to evaluate an applicant's financial, technical and managerial capacity prior to issuing a loan. This is accomplished by reviewing plans, designs, documents and compliance records, as well as completion of a capacity self-assessment form as a condition of the final loan application. Loans will not be issued to those applicants lacking the necessary capacity to effectively own, operate and maintain their system(s). All projects are required to complete asset management activities for the funded asset including asset inventory and a commitment to an asset management, financing and implementation strategy. A system-wide plan is not required by the DWSRF program although it is strongly encouraged, and technical assistance is provided.

3.10 2023 Infrastructure Projects

The NHDES received 110 eligible applications for new infrastructure projects. For a complete description of each of these 2023 projects and the current PPL see Attachment F.

3.11 Amending the IUP or PPL

Any additions or other substantive changes to the PPL, except projects funded on an emergency basis, or changes to the use of funds from what was originally described in the IUP, will go through a public review process. Final revisions will be submitted to EPA for review and approval.

3.12 Public Review Process

The draft IUP and PPL was sent to each person that submitted a pre-application and posted on the NHDES DWSRF webpage for public comment at least seven calendar days prior to the date of the public hearing. A public hearing was held on August 3, 2023. The deadline for receiving written public comments was August 10, 2023. After the end of the public comment period, the department considered all comments received and finalize the proposed IUP and preliminary PPL by making such adjustments as appropriate based on the comments, including but not limited to revising the number of priority points assigned to a project based on additional or revised information and re-ordering the projects to account for the changed point totals. See Attachment H for a summary of comments.

3.13 Binding Commitment Schedule

Projects on the funded portion of the PPL will receive notification following the public comment period ending on August 10, 2023. Loan recipients have until spring of 2024 to obtain the Authority to Borrow and submit a final application. Once a final application is received final loan agreements will be signed and approved by Governor and Council.

4 BASE DWSRF PROGRAM

4.1 Introduction – Base DWSRF

The amount of the State of NHDES' DWSRF base capitalization grant that is available for FFY23 is $4,938,000. This grant must be matched with state funds that equal 20% of the capitalization grant ($987,600). The match was secured in the biennial state capital budget that became effective July 1, 2023. NHDES will not be taking the $99,000 in FY2021 DWSRF reallotment funds.

The maximum amount of setasides the state can use from the 2023 capitalization grant is 31% of the award or $1,530,780. After careful analysis of the benefits and costs of taking the full amount of the setasides, the state has determined that doing so is necessary to support staff and grant and contract funding needed to fully implement the Safe Drinking Water Act in New Hampshire. Accordingly, NHDES intends to utilize $98,760 from the 2% technical assistance setaside, $197,520 from the 4% administration setaside, $493,800 from the 10% program management setaside, and $740,700 from the 15% source water/capacity setaside. The majority of these funds will be used to fund personnel performing eligible activities and associated expenses for the period beginning on July 1, 2023, through September 30, 2024, (when we anticipate receiving our next capitalization grant). Other significant uses of these funds include contracts to improve and maintain data management to accomplish goals related to public water system