

THE STATE OF NORTH CAROLINA

INTENDED USE PLAN  
FOR DRINKING WATER  
STATE REVOLVING FUND

FUNDING FROM FEDERAL  
FISCAL YEAR 2002

FINAL

Prepared by

Department of Environment and Natural Resources  
Division of Environmental Health  
Public Water Supply Section

Date: May 1, 2003

1. Introduction

Through the authorizations provided by the 1996 Amendments to the Safe Drinking Water Act (SDWA), (P.L. 104-182), Section 1452, Congress created the Drinking Water State Revolving Fund (DWSRF). The North Carolina allotment from the federal appropriation for federal Fiscal Year (FY) 2002 is \$14,139,900. These funds will be available to North Carolina when it has successfully obtained a State Revolving Fund Capitalization Grant award from EPA. The State is required to provide a 20 percent match of \$2,827,980. This Intended Use Plan (IUP) is one portion of the Capitalization Grant application. \$10,906,883 in federal dollars and the \$2,827,980 of state match for a total of \$13,734,863 is proposed to be used for project loan purposes. \$3,233,017 of federal funds will be used for non-project set-aside purposes.

The Amendments authorized the establishment of a DWSRF program to assist public water systems finance the cost of infrastructure needed to achieve or maintain compliance with the SDWA requirements and to protect public health. Section 1452(b) requires each state to annually prepare an IUP identifying the use of funds in the DWSRF in a brief and concise document.

2. Short and Long-Term Goals of the DWSRF Projects and Set-Asides

2A. Short-term goals

1. Implement administrative rules and regulations for the DWSRF program, consistent with federal priorities.
2. Provide effective program management to ensure the integrity of the DWSRF.
3. Provide loans to eligible public water systems to address acute health risks as a priority.
4. Provide loans to eligible public water systems to allow consolidation of non-viable water systems to form systems with adequate capacity.
5. Provide funding for preventive and efficiency measures, such as source water protection and the replacement of aging infrastructure.
6. Prevent the formation of new non-viable systems through the capacity development program.
7. Increase compliance for transient water systems.
8. Provide the required State match within the required time frame.
9. Initiate revisions to the DWSRF rules to allow emergency projects to be listed off-cycle.

The DWSRF offers opportunities to direct funding toward having the most pressing public health or compliance needs. Another expectation is that the Preliminary Engineering Reports (PERs) and Environmental Assessments (when required) submitted with applications reflect a thorough evaluation of remediations including that of doing nothing. The DWSRF also gives increased priority under its affordability criteria. All the federal project priority lists to date reflect this approach.

In contrast the state's revolving loan and grant program, while yielding substantial priority rating points for public health needs, favors service area expansion by regional systems into areas not previously served by community water systems irrespective of the new system or growth questions under the federal program.

2B. Long-term goals

1. Support the North Carolina goal of assuring safe and healthy drinking water for state residents and visitors served by public water supplies.
  2. Increase the percent of the population served by safe water systems.
  3. Increase the safety of public water systems.
  4. Promote safe and affordable drinking water.
  5. Provide technical and financial assistance to public water systems in adapting to changing drinking water quality standards and maintaining the health objectives of the SDWA.
  6. Maintain the fiscal integrity of the DWSRF to assure continuance of loan funds for future generations.
  7. Assist water systems in complying with new SDWA rules as they are implemented.
  8. Implement a capacity development strategy that may use innovative strategies and solutions to help improve water system compliance.
  9. Ensure technical integrity of the proposed water system improvements, advocate self-sufficiency, protect water resources from new pollution sources, and promote sustainability.
3. Financial Status of DWSRF
- 3A. Total amount of funds in DWSRF. The total amount of funds in the DWSRF for FY02 and the intended allocation to each activity are listed in Attachment A. The financial plan for the DWSRF, as shown in Attachment A, shows the full 20 percent required State match for FY02. Legislation is pending in the North Carolina Legislature for the appropriation of the required State match.
- 3B. Beginning/End-of-year financial status. The split between proposed project and set-aside use was detailed in Attachment A of the previous IUPs submitted with the previous Capitalization Grant applications and was subsequently approved. The summary of disbursements through December 31, 2002, for the FY97, through FY2001 DWSRF is shown in Attachment A-1 through A-5. The summary of total funding available to the DWSRF Program is shown in Attachment A-6. Annual reports are submitted to EPA by September 30 each year.
- 3C. Other Status Information. Administration of these funds is expected to conform to the state fiscal year, starting July 1 each year and ending June 30. As provided for by state statutes, it is the intent of the DWSRF program to utilize interest earned on state match loan funds as well as principal and interest repayments to the state from projects as part of the funds available. It is the policy of the state to maximize the use of the DWSRF to assist as many water systems as possible and to preserve the fund in perpetuity. These policies and procedures adopted and implemented to date preclude any Ano interest or Aforgiveness of principal loans to disadvantaged communities. The maximum interest rate on the loans is 4 percent with one-half of the market rate being the norm. Maximum term is 20 years with a maximum loan ceiling of \$3,000,000 per applicant per fiscal year's allocation. Assurance schedules contained in the Operating Agreement specify the level of fiscal integrity North Carolina and the Department of Environment and Natural Resources (DENR) specifically have targeted for the overall management of the DWSRF funds. Based on drinking water facility needs, as determined by surveys conducted by the North Carolina Rural Center, Incorporated, it has been estimated that the overall capital needs for water supply improvements across the state exceed \$4 billion. This exceeds the amount statistically derived by EPA during its 1999 Needs Survey and points

to the need for continuing financial assistance beyond the year 2003, the end of the SDWA/SRF authorization period.

4. Intended Use for Non-Project Activities/Set-Asides

4A. Definition of non-project activity. The 1996 SDWA added 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 allowed by the SDWA in furthering the objectives of the Act, but are not construction related. These projects include: 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 of Environmental Health, Public Water Supply Section in the Department of Environment and Natural Resources (NCPWSS) or through contracts with other agencies and organizations.

4B. Description of process used to determine amounts of Capitalization Grants to be used for non-project activities. For planning for the DWSRF, the NCPWSS involved stakeholders in a detailed process for the FY 1997 grant allocation to determine if, and to what extent, the available set-asides would be used; what continuing positions would be created and funded; and to determine the priority needs in the state.

This portion of this Intended Use Plan for Fiscal Year 2002 covering set-asides is a continuation of the programs and projects approved in the Fiscal Year 1997 – FY2001 IUPs. This set-aside plan continues funding for salaries and support for the positions that were created through the DWSRF.

4C. Description of non-project activities and percentage/amount of funds to be used for each

4C1. Program Administration (up to 4% of Capitalization Grant)

The State will allocate \$565,596 from Federal FY02 for program administration. The DWSRF will be administered by the NCPWSS. This set-aside is used for salaries and associated expenses of personnel devoting time to program administration for the DWSRF as identified in Attachment C. These positions are necessary for the administration and management of the program; financial management; capacity development implementation; legislation and rule making; application generation, solicitation, and review; development and maintenance of a priority list; reporting; managing services by vendors and other state agencies; data management; and records keeping. These funds will also be used to procure all equipment and training necessary for the adequate performance of staff on related duties. Technical assistance to water systems in completing the loan applications, as well as to other small water systems will be funded through this set-aside. Partial funding for a DWSRF Environmental Engineer II is provided in this set-aside. This IUP also continues partial funding availability for the Deputy Section Chief with duties related to DWSRF program implementation, including loans and set-asides. The additional Engineer authorized last year was hired on January 31, 2003 to help conduct work associated with completing complex federal requirements. Legislative changes in 1999 made private non-profit water corporations, formed for the sole purpose of providing water or water and sewer service, eligible applicants for funding. Please refer to Attachment C for a more detailed presentation of this set-aside.

4C2. Technical Assistance for Small Systems (up to 2% of Capitalization Grant)

The State will allocate \$282,798 from Federal FY02 to provide technical assistance to small water systems. This money is used jointly by the NCPWSS and the North Carolina Rural Water Association (NCRWA). The NCPWSS will provide continued funding support for three Environmental Technician IV positions in regional offices. The NCRWA contract will continue the support of one circuit rider (see Attachment D). Assistance provided with these funds must be directed to public water systems serving a population of less than 10,000. A list of some of the general activities to be performed and assistance to be provided using this money is as follows:

- Investigate MCL violations and identify corrective actions.
- Investigate and evaluate systems malfunctions or operational problems and advise regarding corrective actions.
- Inspect system for compliance with required design standards and advise regarding needed modifications.
- Interpret sample results and advise regarding health risk.
- Interpret and advise concerning regulatory or monitoring requirements.
- Assist with sample siting plans.
- Provide emergency response to water outages and other serious conditions.
- Train operators and provide hands-on assistance when needed.
- Investigate and advise concerning source water contamination and water source selection.
- Assist in setting up pilot studies.
- Assist with capacity development and source water protection activities.
- Water system security assistance.

4C3. Drinking Water State Program Management Functions (up to 10% of Capitalization Grant)

This match category requires a 1:1 match by the State program. However, EPA gives credit toward this match for all match money for the Public Water Supply Supervision grant in FY93 and for State contributions exceeding match requirements only for FY02. By using matches already met, North Carolina can spend \$1,413,990 in FY02 with no additional match requirement. This money will be used to support programs required by EPA as necessary for continuation of the work plan.

4C3a. Administration of Public Water System Supervision Program. The new requirements of the Safe Drinking Water Act have identified assistance to small systems as a priority. North Carolina has a greater percentage of small systems than many states and is faced with many systems that require assistance more than, or prior to, loans. The Technical Assistance set-aside is deemed inadequate to address the needs of the large number of small systems in North Carolina. In addition, EPA requires that the State ensure that the transient systems are complying with testing and monitoring requirements. The money from this set-aside will be used to continue the work begun as a result of the FY 1997 IUP to address these concerns. A total of \$1,275,308 will be set aside to continue support for the work and positions identified in Attachment E. The operator certification contract with the North Carolina Water Works

Association will now be funded from the operator certification reimbursement grant from EPA.

- 4C3b. Administration or technical assistance activities for source water protection. A manager was hired to facilitate development of and coordinate the Source Water Protection Program. This source water protection engineer serves as the coordinator for developing, implementing and managing a source water protection program, including coordination with delineation and assessment activities, wellhead protection program activities and other state agencies (See Attachment F). The salary and fringe benefits for this set-aside are \$69,341.
- 4C3c. Development and implementation of a capacity development strategy. EPA will withhold 20 percent of the Capitalization Grant from States that do not conform to the Capacity Development requirements by certain deadlines. In order to meet the federal requirements and preserve the full allotment of funds for North Carolina, a capacity development strategy for new and existing systems was developed and needs continuing implementation. Activities are coordinated by one Environmental Engineer II position, in the NCPWSS at an estimated total salary and fringe benefit cost of \$69,341. This position is now vacant and will be filled as soon as possible.
- 4C4. Local Assistance and Other State Programs (up to 15% of Capitalization Grant)

The State will allocate \$970,633 from Federal FY02 for wellhead protection from this set-aside (See Attachment H). A state may fund several other categories of activities including loans, to assist development and/or implementation of local drinking water protection initiatives or grants for capacity development improvements. No more than 10 percent of the Federal Capitalization Grant can go to any one activity allowed under Local Assistance and Other State Programs. Since no provisions have been developed for how these loans would operate, nor rules to govern how funds could be awarded, there are no plans to set aside money for them at this time. Therefore, there will be no set-asides taken for land acquisition/conservation easements for source water protection, source water quality protection measures for community water systems, or implementation of capacity development projects for community systems. We reserve the right to set aside the full amount available this year from a future IUP when some of these activities are underway.

This set-aside will continue funding support in the amount of \$170,980 for two positions in NCPWSS: one Hydrogeologist II and one Office Assistant to handle the State implementation of the Wellhead Protection Program. It may also provide support for up to three full-time equivalent positions in the field offices at a cost of \$309,000. Assistance will be provided by these positions in support of the Delineation and Assessment of wellhead protection areas. This set-aside includes a \$190,653 contract for on-site technical assistance for local wellhead protection efforts with NCRWA that supports two technicians to assist in the preparation of wellhead protection plans. Included also is \$300,000 for contractors, equipment and supplies to identify and inventory locations of public water supply wells in order that they may be delineated and assessed, locate potential contaminant sources (PCSs) within wellhead protection areas, update the system inventory, and conduct well inspections. These funds will also provide for maintenance and necessary upgrade of the computer application built to complete source water assessments. This includes software and hardware upgrades to allow for efficient operation of the application and data conversions to allow expanded use of Global Positioning System (GPS) and Geographic Information System (GIS) data in analytical

work.

- 4D. Transfer of Funds from Set-Asides into Standard Project Accounts. At any time, the DWSRF Administrator can transfer any unspent funds to the funds available for project loans. Once transferred, these funds must remain as part of the funds available for Standard Project loans in the year they are transferred. Funds for Local Assistance and Other State Programs can be reallocated among the five different activities or transferred to the funds available for Standard Project loans, based upon the needs of the eligible water systems for any given year upon approval of grant amendment.

Delineation and Assessment of source water protection areas, was one-time program funding provided in FY97 to be spent over the duration of the Source Water Assessment Program (SWAP) development and implementation. According to e-mail correspondence the NCPWSS received from Carl Biemiller, EPA Region 4, on January 29, 2003, all FY 97 Delineation and Assessment funds must be expended or transferred to another set-aside [e.g. 1452(k)(1)(D) Wellhead Protection] or transferred to the funds available for project loans by May 4, 2003. However, on November 21, 2002 Natalie Ellington, Chief, Ground Water/UIC Section, EPA Region 4, sent the NCPWSS a letter to approve the completion of SWAP in June 2004. Therefore, in accordance with guidance from EPA, including a March 2002 memo from Bill Diamond, Director, Drinking Water Protection Division, EPA Office of Ground Water and Drinking Water, the NCPWSS intends to submit a grant amendment to request the transfer of unspent Delineation and Assessment funds to the Wellhead Protection set-aside.

## 5. Comprehensive Project Priority List

Eighteen (18) applications requesting \$44,854,814 in loans were received by the September 30, 2002 due date. The applications were reviewed independently by SRF program engineers and at least one regional staff person familiar with the respective public water system. Following these reviews, a comparison of scores and differences was performed by NCPWSS personnel for further refinement of the scores prior to presenting them to a committee of the Division of Environmental Health and NCPWSS. This committee provided an oversight role as well as final score and eligibility determination based on the application content. After the December 13, 2002 review date, no further information was considered. During subsequent public review, the applicants were offered opportunities to present arguments and comments if they thought that the state misinterpreted the information presented in their application packages.

One of the applications was deemed ineligible because it did not contain sufficient information to demonstrate a public health or SDWA compliance need. Of the 17 eligible applications for \$43,151,414, twelve (12) systems serving populations of less than 10,000 sought \$28,895,724. The 15 percent amount earmarked for the small water systems is \$2,051,537 and will fund one application. No adjustment to the priority points was necessary to meet this requirement.

Actual project funding from the 2002 allocation will depend on compliance with the “ready to proceed” criteria. In accordance with 15A NCAC 1N .0701(c), those projects not “ready to proceed” at the time of EPA approval of this IUP and Capitalization Grant application, will be bypassed in favor of other projects that are ready within the limitations of state regulation 1N .0201(b).

## 6. Description of Criteria and Methods Used for Distribution of Funds

- 6A. Set-Aside Accounts. Division of funds between the monies to be used for set-aside purposes and those to be used for construction loan/project purposes, including the required state match of 20 percent, are detailed in Attachment A.
- 6B. Conduct of the Drinking Water State Revolving Fund. The provisions of the Drinking Water State Revolving Fund Program Guidelines, published by EPA on February 28, 1997, and referred to as the Guidance Document, and the Drinking Water Treatment Fund Rules, identified as 15A NCAC 1N, guide the administration of the DWSRF program on a day-to-day basis. General provisions, other than project rating criteria, that influence the decision-making are summarized below. The rules can be accessed from the NCPWSS website at [www.deh.enr.state.nc.us/pws/srf/index.htm](http://www.deh.enr.state.nc.us/pws/srf/index.htm).
- 6B1. General Rule Provisions in 15A NCAC 1N

Section .0200 covers the conditions governing the availability of loan funds to eligible and approved projects. In addition to the 15 percent allocated to small systems, 5 percent of the annual allocation is available for project planning purposes. The planning amount is limited to a maximum of \$25,000 per applicant per fiscal year. Through the review of submitted applications, the state seeks the most cost-effective solutions and focuses the available funding on eligible project portions when ineligible segments are included in the application.

The DWSRF program collects payment of a 2 percent closing fee. This fee is deposited into an account separate from the project fund and must be used solely for DWSRF administration.

Project eligibility requirements are set forth in Section .0300. Application submittals are required to include dates for milestone events such as plans and specifications submission and approval, rate schedule submittal, bid opening and award, construction start, and projected project completion. This information allows the creation of funding schedules as part of the priority rated project list information.

Conditions for resolving tie breakers are covered in Section .0500 along with information about expectations for future reviews of bypassed projects.

Bypass procedures are described in Section .0700 of the rules. If any one of the conditions exist as described in .0701(c)(1) through (4), the project will be bypassed in deference to projects that can meet the Aready to proceed criteria at the time of EPA approval of this IUP and Capitalization Grant application.

The Federal Funding Process of the Guidance Document requires the state DWSRF program to submit a schedule of binding commitments as part of the capitalization grant agreement processes. Binding commitments occur when an applicant has met the Aready to proceed requirements, the Local Government Commission (LGC) has approved the loan, and the offer and acceptance documents (Part A) have been signed and dated by both the Department's designee and the applicant. Adherence to this schedule will cause, in some cases, eligible and Aready to proceed projects in an unfunded position to move to the funded portion of the approved list. This will occur in sufficient time to complete the steps leading to binding commitments prior to EPA's cut-off date. Timing decisions associated with the schedule

adherence will also consider application review dates for the subsequent funding year to allow second reviews on the bypassed projects.

Award, commitment, and disbursement of loans are covered in Section .0700 of the rules. The provision of 5 percent of the available funds to be held in reserve is the same provision the state has in its revolving loan and grant program to cover unforeseen construction needs that exceed allowable contingency amounts and that can be approved by all parties to the binding agreements. It is the intent of the state to award funds held in reserve prior to the close of the award authorization period.

Expectations for the repayment of principal and interest are spelled out in Section .0800. As evidenced by the Memorandum of Understanding attached to the Operating Agreement, North Carolina has a Local Government Commission (LGC) that annually reviews the fiscal condition of the various local units of government statewide. As a result of its level of familiarity of the financial health of any of the applicants, it is in a position to negotiate the loan repayment time period. While loans are authorized to be repaid within twenty years, the LGC staff may recommend in certain instances that the payback period be shorter. When negotiated on these terms, the state benefits because the principal and interest repayments occur over a shorter period of time. This enables funds to be used again more quickly by future applicants.

Inspection requirements are outlined in Rule .0901. An on-site inspection of the work in progress should be scheduled prior to reaching the ninety percent construction completion stage, and sooner if problems needing immediate resolution to maintain the project's integrity occur. Additionally, to establish an understanding between the State and the awardee, a NCPWSS representative will attend pre-construction conferences as time and resources allow or will provide detailed written guidance.

Audits on the projects are expected to meet state and federal requirements as specified in Rule .0902.

## 6B2. Capacity Development Reviews

All public water systems receiving funding from the DWSRF must be reviewed to ensure that they can demonstrate adequate technical, financial, and managerial capacity to operate the water system in compliance with the SDWA. 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 categories might remain eligible for funding if a strategy that would resolve the problem issue can be developed and attached as a condition of the loan approval. The following procedures will be used to ensure water systems receiving future DWSRF funds satisfy capacity development criteria.

*Technical capacity* is determined by two primary mechanisms. First, a Preliminary Engineering Report (PER) is a required component of the loan application. The PER covers technical aspects of the proposed project, such as how the proposed project will satisfy the public health or compliance concern, and how that option was selected. The PER is reviewed

for technical merit by both the SRF program engineers and by the field office engineers who have the greater familiarity with the existing water system. After the PER is approved but prior to awarding the loan, design plans and specifications must be submitted, reviewed, and approved by the Public Water Supply Section to ensure that the project design is sufficient to meet SDWA and the North Carolina Drinking Water Act requirements.

*Financial capacity* is reviewed by the North Carolina Local Government Commission (LGC). The LGC is charged with annual reviews of the financial health of local governments in the state and must certify that the local government is able to incur debt prior to its being allowed to accept a loan or issue bonds. The LGC reviews in detail completed forms from its office, which then becomes part of the DWSRF application package. One form relates to general financial accountability and fiscal procedures and the other pertains to projected revenues, expenses, and user rates for the specific water system.

*Managerial capacity* is determined by central office staff. Information submitted by the applicant and evaluated includes a water system management plan covering organization, ownership, management qualifications, management training, and policies. The water system management plan is required by regulation for all construction projects. Any additional evaluation by the NCPWSS field office staff familiar with the water system is included as well.

- 6C. Determination of Priority Rating Points. Each application, or independent eligible portions under Rule .0502(d), is judged and receives priority points in accordance with the criteria contained in the rules. Also in accordance with the rules, the Guidance Document, and the amended SDWA of 1996, the State reviews each project description to certify that the proposed project addresses the most serious risk to human health or is necessary to ensure compliance with the requirements of the amended SDWA. Criteria for public health, compliance, consolidation, reliability, affordability, and source protection and management priority points are described in the rules.

While the final guidelines for SRF recognize that proposed projects may be added to address unanticipated emergency situations, the State's 1N rules currently do not provide a mechanism for addressing emergency public health needs. This deficiency will likely be addressed in future 1N rule modifications. A state low interest emergency revolving loan account is available for such situations.

7. Public Participation

A Public Hearing was held on March 24, 2003, in Raleigh to gather comments on the IUP from interested parties and the public. The notice published statewide prior to this meeting gave affected parties a thirty (30) day period during which to provide comments or concerns. The hearing officer's record of the meeting and a summary of any comments received is a part of the application package to EPA.

8. Transfer of Funds DWSRF/CWSRF

While transfer of funds between the DWSRF and the Clean Water State Revolving Fund (CWSRF) are authorized by federal statutes, those transfers are not authorized from DWSRF capitalization grants (project funds) and therefore are not a consideration of this IUP.

9. Disadvantaged Community Program

It is the current policy of the State to maximize the use of the DWSRF to assist as many water systems as possible and to preserve the fund in perpetuity. Awarding funds with reduced or no repayment would limit the State's ability to address the tremendous infrastructure need. The state has elected not to award funds on a *Ano interest* or *Aforgiveness loan* basis. This policy may be revisited after the impact of the Capacity Development program on North Carolina public water systems and their respective funding sources is better known.

10. Non-Local Government Applications

Authority to use state appropriations or funds made available to the state comes from the North Carolina General Assembly. The eligibility for DWSRF loans is limited at present to local units of government and certain non-profit water corporations. Little interest in broadening the list of eligible entities has been demonstrated as this time.

**State of North Carolina Department of Environment and Natural Resources  
Division of Environmental Health - Public Water Supply Section**

**Intended Use Plan for Drinking Water State Revolving Fund  
for Fiscal Year 2002**

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**ATTACHMENTS**

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**Acronyms**

CWSRF - Clean Water State Revolving Fund  
DENR – North Carolina Department of Environment and Natural Resources  
DWSRF - Drinking Water State Revolving Fund  
EPA - Environmental Protection Agency  
GPS - Global Positioning System Unit  
IUP - Intended Use Plan  
LGC - Local Government Commission  
NCPWSS - Public Water Supply Section, administers North Carolina=s Drinking Water Program  
NCRWA - North Carolina Rural Water Association  
PER - Preliminary Engineering Report  
PCS – Potential Contaminant Source  
SDWA - Safe Drinking Water Act  
SRF - State Revolving Fund  
WHP - Wellhead Protection  
WHPP - Wellhead Protection Plan

**ATTACHMENT A**

**North Carolina Financial Plan of DWSRF FY-2002**

North Carolina Capitalization Grant From EPA	\$14,139,900
Non-project Set-Asides	\$3,233,017
1. Administration--up to 4%	\$565,596
2. Technical Assistance--up to 2%	\$282,798
a. NC Rural Water Association	\$83,400
b. NC Public Water Supply	\$199,398
3. State Program Management Functions -- up to 10%	\$1,413,990
a. Public Water System Supervision Program	\$1,275,308
b. Source water protection	\$69,341
c. Capacity development	\$69,341
4. Local Assistance and Other State Programs—up to 15%	\$970,633
a. Land acquisition	\$-----
b. Source water protection	\$-----
c. Delineate and assess source water areas	\$-----
d. Wellhead protection	\$970,633
NC Public Water Supply	\$479,980
NC Rural Water Association	\$190,653
Other Contracts and Equipment	\$300,000
e. Capacity development	\$-----
Total Remaining Federal Dollars for Standard Project Loans	\$10,906,883
State Match (20 percent of federal grant) all goes toward project loans	\$2,827,980
Total federal and State dollars for Standard Project Loans	\$13,734,863

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**ATTACHMENT C  
Administration Set-Aside**

**I. Funding Amount**

Dollars:

Administration: \$565,596  
Total: \$565,596

Percentage of State DWSRF Allocation:

[\$14,139,900] x 4% = \$565,596

**II. Number of FTEs**

1 Environmental Engineer Supervisor II  
0.5 Environmental Supervisor IV  
4.2 Environmental Engineer II  
1 Accountant II  
1 Accountant Tech IV  
1 Administrative Assistant I  
1 Computer Applications Analyst/Programmer  
1 Office Assistant

**Total FTEs: 10.7**

Total staff to implement the program are listed above. The total set-aside will be used for salaries, fringe benefits, indirect cost, operating expenses, office supplies and furniture, office space leasing, and equipment purchases.

**III. Goals, Objectives, Outputs, and Deliverables**

One of the set-asides authorized under the 1996 SDWA amendments is administration of the DWSRF program, which can use up to 4 percent of the federal capitalization grant. These funds will support ongoing program activities including grant application processing; IUP and Operating Agreement (OA) preparation and revision; financial management; legislation drafting and rule making; application review; reporting; administrative services associated with agreements for vendors and other state and local agencies; legal fees; federal requirements fulfillment certification and project management.

Since these activities encompass both the loan fund and the set-asides, a great deal of planning, coordination, and communication is required. For example, the financial management and responsibility for reporting on all the set-aside activities is the shared responsibility of the Section Chief, Deputy Section Chief, Branch Heads, each set-aside program manager and the Accountant II position. Similarly, loan program management functions appropriate for DWSRF program administration is carried out by Section/Branch personnel while other supportive functions are performed by other departments, other divisions in the department, or outside contractors.

The primary goal is to use the resources available through the DWSRF Capitalization Grant to provide maximum services allowed by the set-aside programs and to provide low-interest loans to projects with the greatest public health and compliance, and affordability needs.

Annual objectives are extensions of the program goals.

- X Set aside sufficient funds to administer the program.
- X Maximize the efficient use of these funds.
- X Administer the DWSRF program in an efficient and comprehensive manner.

Outputs and Deliverables:

- X Low interest loans to eligible local units of government for allowable projects.
- X Completion of all processes associated with the loans to ensure applicants receive their project cost reimbursement disbursements on a timely basis.
- X Monitor payback schedules to ensure principal and interest payments are available on a timely basis for future year awards as low-interest loans.
- X Make progress inspections of construction sites to verify use of state revolving funds as intended.
- X Monitor the set-aside expenditures to prevent over-expenditure of authorized amounts and limits.
- X Meet quarterly and annual financial and project management reporting requirements for the federal DWSRF Information System, along with other state reporting needs.
- X Annual reports which show how the state has met its goals and objectives of the past year. Such reports will show information on loan recipients, loan amounts, loan terms, project categories of eligible cost, and any other loan or project detail deemed important by the state.
- X Annual audits meeting standards of the General Accounting Office, including auditor=s opinions, reports on internal controls, and compliance adherence.

**IV. Schedule for Completing Activities**

DWSRF program management is an ongoing activity. Application deadline is September 30 each year. The IUP must be submitted by June 30 each year. The DWSRF annual report is due by September 30 each year for the previous year.

**V. Responsibilities of the Implementing Agencies**

The following functions will be required for the DWSRF program administration:

- X Administrative Process Management
  - Legislation drafting/Rule Making
  - Needs Surveys (both for IUP/Priority List & 2003 EPA/States) and accompanying summaries
  - Priority Lists - development and revisions
  - Capitalization Grant Application including IUP & OA
  - Filing - projects & other
  - Reporting - EEO quarterly & other

- X Financial Management
  - Budgeting
  - Accounting
  - Cash Flow Projections
  - 2% Administrative Fee Payments
  - Loan Disbursements/Automated Clearinghouse (ACH)
  - Principal and Interest Payments
  - Annual Reporting Requirements
  - SRF Project Audits
  - EPA Audit Resolution
  
- X Project Management
  - Technical Assistance, including on-site inspections
  - Grants for planning, application preparation
  - Pre-application meetings
  - Loan Application Review
  - Loan Approval & Awards
  - Payment Requests
  - Project Closeouts
  - Capacity Development Review
  - Plan Review
  - Construction Inspections

The Local Government Commission (LGC) ensures that loans are awarded to recipients that are not likely to default on state loans. The State Auditor's Office is a party to the three-agency Memorandum of Understanding, in which each party pledges to support and manage reporting systems; facilitate payments and ACH drawdowns at appropriate times; and to maintain audit-ready status.

**VI. Success Evaluation Process**

Comprehensive evaluation of the accomplishments will be performed for each Annual Report and the corresponding Annual Audit. Measurements for success will focus on continuity of ongoing projects and completion of short-term goals. Evaluation will be ongoing and may involve assistance from agencies such as the LGC which currently review participants in DWSRF-supported programs.

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**ATTACHMENT D**  
**Technical Assistance to Small Water Systems Set-Aside**

**Introduction**

The Safe Drinking Water Act (SDWA) has added and continues to add tremendously to the responsibilities and workloads of public water system owners/operators. All areas of water system operation are increasing in complexity. While the water system owner/operator has had to call on the State for technical assistance more heavily than ever before, the Public Water Supply Section field staff has not increased proportionally. The result is limited technical assistance available to water systems. The first priority for NCPWSS is activity to address threats to public health and compliance problems, which calls for technical assistance.

**Problem Description**

The problem addressed in this proposal is how to provide general technical assistance to all public water systems. Funds through this set-aside are directed to small community, non-transient non-community, and transient water systems. Technical assistance is a component of any field positions or activities. Technical assistance may be provided through direct on-site contact or by phone, written correspondence or other communication.

The Environmental Protection Agency has reported that the majority of water treatment systems that do not meet minimum compliance standards are those serving populations of 10,000 or less. Of the community water systems currently on the inventory in North Carolina, about 95 percent serve less than 10,000 people and about 90 percent serve less than 3,300 people. These small systems have certain characteristics that make compliance difficult without outside assistance. For instance, small systems have very small (sometimes part-time) staff, extremely limited financial resources, small and widely distributed customer bases, and volunteer governing boards. These limitations, coupled with the general aging of system infrastructure, make compliance more and more difficult each year, yet compliance with minimum standards is absolutely necessary to assure the health of the customer. These systems need assistance in providing safe water to their communities.

The Public Water Supply Section (NCPWSS) currently provides technical assistance to all public water systems through field staff in the seven regional offices of the Department of Environment and Natural Resources. Additional assistance with monitoring compliance and rules is provided through the central office in Raleigh. The North Carolina Rural Water Association (NCRWA) also provides technical assistance through circuit riders.

The level of technical assistance being provided by both agencies is inadequate to address new requirements continually coming into effect under the Safe Drinking Water Act. There are also approximately 5,100 non-community public water systems subject to regulation. While past resource shortages relegated these systems to low priority status, EPA has in recent years made these systems a high priority for oversight. Through the 1997 IUP, additional resources were made available to support staff for additional technical assistance, both in NCPWSS and NCRWA. This IUP continues support for the positions.

**Objectives**

The NCPWSS has historically maintained the ability to provide the types of technical assistance needed by both community and non-community public water systems to operate in compliance with the SDWA and provide safe drinking water. A list of specific tasks to accomplish this objective was developed during development of the FY97 IUP and is included, along with some new items relating to new statutory program requirements. Some tasks can be accomplished by phone or other remote communication. Technical assistance involving a site visit includes as a minimum the following steps for NCPWSS employees.

1. Contact with water system owner/operator to discuss the exact nature of the assistance needed.
2. Review of existing files and data records to check compliance status and history of problems or complaints.
3. Visit site with owner and/or operator to evaluate problem or assistance needed.
4. Recommend corrective action or provide hands-on assistance if needed.
5. Document site visit and prepare a summary of technical assistance for the owner and the system file.
6. Prepare correspondence to the owner/operator if needed.
7. Conduct follow-up visit if needed to verify resolution of problem.

The objective of the contract with NCRWA is to provide technical assistance to small water systems for the following types of problems.

1. Compliance and Treatment-- interpreting SDWA rules, understanding monitoring requirements, understanding treatment requirements and techniques.
2. Operation and Maintenance-- periodic training on proper operation and maintenance of treatment equipment, pumps, motors, pipes, valves, fire hydrants, and meters, and on water conservation, including leak detection.
3. Management techniques-- training and assistance in preparing budgets, performing rate studies, adopting water use rules and regulations, and in long-term financial planning to ensure the long-term financial needs of the system will be met.

For the NCRWA contract, one short-term measurable goal is returning systems to compliance because they have obtained the knowledge to comply with regulations. Many of the benefits to the systems will be long-term in scope. Through greater knowledge and improved management and operational skills, systems will be able to improve their compliance with the Safe Drinking Water Act and improve the quality of water served to their citizens. The primary measure will be the number of systems provided technical assistance, the hours and type of assistance provided, and the number of systems where problems are resolved.

1. Provide on-site technical assistance to public water systems regarding monitoring requirements, SDWA rule implementation, proper treatment techniques, and dealing with maximum contaminate level (MCL) violations.
2. Provide on-site technical assistance regarding operation and maintenance of pumps, motors, filters, chemical feed systems, chemical dosing, tanks, pipes, valves, hydrants, and meters, and on leak detection and distribution maintenance.
3. Provide on-site technical assistance regarding management practices including the following areas: budgeting, writing and adopting rules and regulations, rate studies, security, and making long range financial plans for infrastructure upgrades.

## **Methods**

The NCPWSS and NCRWA will provide needed technical assistance.

The NCPWSS will serve as the lead agency to coordinate all technical assistance activities under this grant. This will avoid duplication and ensure that efforts are directed to the greatest public health needs under the SDWA. Specific tasks and levels of performance will be developed and agreed upon. Compliance or regulatory interpretations should be made by the NCPWSS. The NCPWSS should be consulted concerning all incidents of MCL violations and health risk determinations.

The NCPWSS currently provides technical assistance for most of the tasks on the list developed by the Technical Assistance Committee. NCPWSS has expanded the level of technical assistance for all items except tasks #15 and 20, these being more pertinent to the NCRWA and the Division of Water Resources. Technical assistance to non-community water systems has historically been very limited and has received the greatest increase in attention.

Under Technical Assistance to Small Water Systems, this set-aside will provide continued support to four full time permanent positions: three Environmental Technician IV positions in the regional offices of NCPWSS and one circuit rider through contract with the NCRWA. Additional NCPWSS staff members conduct the same activities, but are funded through the State Program Management Set-Aside and the State Public Water Supply Supervision Grant. This funding allows an increase in the ratio of field staff to water systems and also allows field staff to devote more time to technical assistance. Following is a detailed specification of each technical assistance task.

1. Investigate MCL violations and identify corrective actions. This is one of the highest priority items of the NCPWSS field staff. A higher staff to system ratio will allow staff to provide more hands-on assistance with activities such as disinfection, which is particularly needed with non-community systems.
2. Investigate and evaluate system malfunctions or operational problems and advise regarding corrective actions. This assistance requires field staff with a high level of technical engineering capabilities.
3. Inspect systems for compliance with required design standards and advise regarding needed modifications. Although this is usually done as part of a sanitary survey, it often requires extra

field time and is intended and accepted by most water systems as technical assistance rather than regulatory activity.

4. Interpret sample results and advise regarding health risk. It is extremely important that sample results are examined by well qualified staff who can make accurate health risk assessments. NCPWSS staff are trained in this area and have direct access to epidemiologists when needed.
5. Interpret and advise concerning regulatory requirements. NCPWSS should interpret regulatory requirements, determining the proper level of authority and explaining legal issues.
6. Assist with sample siting plans. Assistance can be provided by phone or on site for any type of sampling preparation.
7. Advise concerning monitoring requirements. This is a frequent request and information can usually be found quickly through the NCPWSS computer system.
8. Advise concerning variances, exemptions and waivers. The NCPWSS is taking maximum advantage of its flexibility regarding waivers and exemptions. Keeping up to date on these mechanisms is a priority for field staff.
9. Advise concerning treatment needs and treatment system evaluations. This is a large area of concern involving all types of treatment from chlorinators to full conventional water filtration plants. Water Treatment Plant Consultants are assigned to each region to provide this type of assistance. Increased technical engineering staff will allow staff to provide more hands-on technical assistance to water treatment plants, leading to improved water quality. Technical staff must be highly qualified to provide this kind of assistance.
10. Conduct hydrogeological investigations and evaluations of surface water influence on groundwater. The Surface Water Treatment Rule required that all non-community wells/springs be evaluated for surface water influence by 1999. Based on experience with recently completed community water system evaluations, many non-community systems need assistance with evaluations and corrective modifications. Solutions are particularly difficult in many non-community situations due to site constraints, etc. Existing field staff do not have sufficient time to address these needs.
11. Investigate complaints regarding water quality or pressure problems and advise concerning corrective action needed. Many of the complaints received by the NCPWSS from the consuming public are about poor water quality or low water pressure. Determining the exact cause of the problem and recommending corrective action requires field staff highly qualified in water chemistry/bacteriology and environmental engineering. Additional technical staff enable NCPWSS to provide this service to non-community water systems, as well as devote more time to community system complaints.
12. Provide emergency response to water outages or other serious conditions. NCPWSS field staff are on call at all times to respond to emergency situations involving water contamination, outages, chemical spills, etc. By participating in the State Emergency Response Plan and routine disaster drills, the NCPWSS is always prepared to respond quickly.

13. Investigate and advise concerning source water contamination and water source selection. NCPWSS field staff are generally familiar with most streams and reservoirs in the region. They are able to advise engineers and units of government about appropriate sources and assist with source selection. They are knowledgeable about most contaminants and are accustomed to sampling and determining health risks. Source approvals are issued by NCPWSS. The Groundwater Section in the Division of Water Quality and the Division of Water Resources (NCDWR) may also provide assistance during site selection. NCDWR assists systems in evaluating safe yields, impacts on other water users, and minimum flow requirements.
14. Train operators and provide hands-on assistance when needed. NCPWSS field staff, particularly water plant consultants, spend a great deal of their time working with operators and in difficult situations actually provide effective hands-on assistance and training. This type of “on-the-job” training could be provided more often with additional staff.
15. Assist with water loss/leak detection. This work is done primarily by the NCRWA and Division of Water Resources.
16. Advise concerning well renovations. Well and wellhead construction are routinely inspected and improvements recommended by NCPWSS field staff. More recently, in conjunction with surface water influence determinations, hydrogeological evaluations have become more complex and require better qualified staff.
17. Advise concerning engineering design/service. In cases where plan submission is not required, NCPWSS engineering staff often make system design recommendations. This expedites improvements and results in more effective public health protection.
18. Assist in preparation of water shortage response plans. Many county and municipal water systems have back-up water sources that may be used only under advisement of the NCPWSS staff. These plans require judgment decisions which should be confirmed by the primacy agency. The NCDWR assists local governments in developing water shortage and drought response plans as well.
19. Assist in preparation of water supply plans. Water supply plans are received, reviewed, and approved by the NCDWR, with comments from the NCPWSS. Extensive assistance is provided by NCDWR to local government water systems during plan development.
20. Assist with water meter sizing and testing. These services are provided by the NCRWA.
21. Assist in the Preparation of Desk Top Studies. All Desk Top Studies for lead and copper are evaluated by the NCPWSS. Many water systems also receive assistance from NCPWSS by phone, through workshops, or onsite in the preparation of these studies.
22. Assist in setting up pilot studies. All pilot studies are conducted with assistance from the NCPWSS. These are becoming more common with recent new SDWA requirements.
23. Provide assistance for Loan and Grant administration. The Loans and Grants Unit of the NCPWSS administers loans and grants for public water systems. Field staff help rank projects for funding priority and evaluate completed projects. Field staff are also heavily involved in the 2003 Drinking Water Infrastructure Need Survey with multiple site visits at each of the 105

systems involved.

24. Provide assistance for capacity development activities. NCPWSS provides assistance to water systems in responding to capacity development requirements. NCPWSS supports systems applying for SRF loans, and help systems determine whether or not they meet capacity development requirements. Guidance is needed for systems not meeting the requirements.
25. Provide trainers for operator training schools. NCPWSS staff have been and will continue to be actively involved in volunteer operator training programs through annual schools. NCRWA participates as well. North Carolina’s volunteer network is critical for training operators. The new SDWA amendments intensify the need for trainers.
26. Provide assistance for wellhead protection and source water protection. Field staff assists in the development of wellhead protection plans. The regional office staff is also involved with training efforts in this regard, such as workshops. The regional staff is the first line for enforcing existing regulations regarding new well location with respect to existing and potential sources of contamination and for contacting appropriate agencies when groundwater contaminants are identified.
27. Provide technical assistance and support to transient water systems. Field staff conducts the following activities for transient systems: on-site technical assistance and consultation; TNC inventory updates; contamination follow-up, including assisting in public notice requirements; sanitary surveys; issue boil water notices; and group training.
28. Provide assistance and training for threat assessments and emergency responses. NCRWA and NCPWSS will train and assist public water system officials with security issues related to asset and public health protection.

The NCRWA has created and filled one full-time circuit rider position through this set-aside. The circuit rider will provide a minimum of 420 technical assistance on-site visits per year. The visits are initiated in order of preference by referrals by the primacy agency, requests by systems, and routine calls. The technical assistance is be provided in the following categories to address specific needs.

#### Compliance & Treatment

- X Assist in identifying corrective action for MCL violations, system malfunctions, and operational problems.
- X Assist with sample siting plans.
- X Advise concerning monitoring requirements.
- X Evaluate treatment systems and treatment needs.
- X Desktop studies.

#### Operation & Maintenance

- X Investigate complaints of water quality or pressure problems.
- X Provide assistance in emergency response to water outages or other serious conditions.
- X Provide assistance with water loss and leak detection problems.
- X Water meter sizing and testing.

Management

- X Water shortage response plans.
- X Water supply plans.
- X Rate studies.
- X Budgeting.
- X Consumer Confidence Reports.
- X Security.

Finance

- X Assistance with loan and grant acquisition.
- X Assist with on-site visits for the 2003 Needs Survey as required.

Outreach Materials

- X As needed, technical and educational publications to the small water systems.

**Cost**

The full two percent available to set aside from the capitalization grant is requested. The total available is \$282,798 for technical assistance to small water systems.

Public Water Supply Section

The cost for continued support for the three positions in NCPWSS that remain is \$199,398 for salary and benefits, plus travel expenses, equipment, supplies, rent, phones, printing, and operational support. Only inflationary yearly cost increases are anticipated.

North Carolina Rural Water Association

A total of \$83,400 will be used to contract for the technical assistance services of the NCRWA. This will cover one circuit rider and support expenses.

Salary	\$ 33,300
Fringe Benefits	\$ 10,000
Travel	\$ 20,500
Telephone	\$ 2,100
Training Manuals	\$ 2,100
Equipment (computer, software, leak detectors, test kits, etc.)	\$ 1,600
Administrative (office space, postage, printing, office supplies, accounting, indirect costs, etc.)	\$ 13,800
<b>Total</b>	<b>\$ 83,400</b>

**Schedule**

Technical Assistance is an ongoing activity. Work under this set-aside is currently under way. Continued funding for these field positions enable NCPWSS to provide on-site technical assistance as necessary to small water systems.

**Evaluation of Work**

NCRWA will be evaluated in the completion of the onsite technical visits and adherence to the terms of the contract described in this Section. NCPWSS work will be evaluated in terms of the visits and inspections performed by the employees through the State Public Water Supply Supervision Grant Workplan.

**Summary**

The new SDWA has added many new requirements to water system operation, causing owners/operators to need more technical assistance. These technical assistance activities improve SDWA compliance, and assist the small systems in improving their water service to the citizens of the state. The NCPWSS uses field staff, along with services through NCRWA, to provide technical assistance needed by public water systems. This technical assistance is ongoing.

**ATTACHMENT E**  
**State Program Management Set-Aside**  
**Public Water System Supervision Program**

**Introduction**

From the inception of the Safe Drinking Water Act in 1974, the very small transient water systems have been a concern of Congress, which recognized the need for regulation of these systems to protect public health. For states with large numbers of transient systems such as North Carolina, funding was not provided to adequately address these systems. For years North Carolina implemented its drinking water program in accordance with the Priorities Guidance from EPA, which focused limited program resources on the most significant issues. The set-aside for administration of the public water supply supervision program now provides North Carolina with the opportunity to conduct some degree of much needed enforcement and oversight of transient systems.

**Problem Description**

EPA demands full regulation of TNC water systems. Through the DWSRF, NCPWSS has added staff to address this huge need, although staffing has still not been sufficient to resolve problems discovered from the water monitoring. Public health is compromised for TNC system users, in that some systems have not yet begun sampling and other systems cannot get assistance with contamination correction.

Key Issues to be Addressed

- Maintenance of TNC inventory.
- Continuing collection of GPS latitude and longitude readings for all TNC systems.
- Repeat sanitary surveys for TNC systems every five years.
- Compliance and enforcement work including automated violation generation for MCL=s and monitoring failures.
- Follow-up actions to contamination and issuance of boil notices.
- Provide technical assistance.
- Staff training.

Summary of Related Ongoing Activities

The Public Water Supply Section recruited staff to manage and implement the transient water system program. NCPWSS has been very busy performing inspections, verifying GPS coordinates and well information, contacting the owners and operators of these systems, and working with the commercial laboratories to provide services for these systems. NCPWS continues to notify TNC systems about testing requirements and water system ownership responsibilities. Telephone support and on-site assistance with contamination problems is provided as it occurs. Enforcement actions are taken against transient systems that fail to comply with the monitoring requirements.

NCPWSS cooperated with the North Carolina Water Resources Research Institute on the creation and distribution of a brochure for transient churches.

## **Objectives**

Funding for the regulation of TNC water systems allows more effective protection of public health through increased monitoring and surveillance, more extensive follow-ups to contamination, technical assistance, and better overall communications. The State hopes to continue to meet all EPA requirements for inventory and regulatory oversight of the TNC water systems, thereby preventing any additional loss of EPA funding in future grant calculations. While it is believed that there are additional transient systems in the state that staff have been either unable to locate or to contact, resources can only address known systems.

### Measurements of Success

- Number of verified systems on inventory.
- Number of new systems added.
- Number of systems complying with testing requirements.
- Number of sanitary surveys completed.

## **Methods**

The transient system compliance unit will maintain an updated inventory and will oversee regulation of these systems. Programs will involve central and field office staff and possible contracts with others. Activities in the central office include: inventory coordination and updating, compliance and enforcement activities, and data management. Regional office activities include providing on-site technical assistance, providing TNC inventory updates, conducting site visits and consultations as follow-ups to contamination, performing sanitary surveys, performing GWUDI (groundwater under the direct influence of surface water) determinations, issuing boil water notices, assisting in public notice of contamination, and providing training if necessary.

In addition, some of the funding from this set-aside account will go to support general technical assistance activities as described in Attachment D. More technical assistance activity needs were identified within the technical assistance category than there are technical assistance category dollars to address. Therefore, this set-aside category may also be used to fund additional technical assistance activities as defined in Attachment D.

## **Cost**

The total set-aside for general state supervision activities within the State Program Functions set-aside is \$1,275,308. The money from this set-aside is being used to continue the work begun as a result of the FY 1997 IUP and to address other program concerns. Funds will be used to continue support for an Engineer II and an Environmental Technician V to manage transient system compliance from the central office. In addition, a Processing Assistant V, a Data Entry Specialist, an Applications Analyst Programmer and an Environmental Technician V will work in central office to assist in handling the small systems. These funds also will be used to support a Temporary Office Assistant and a Temporary Engineer. (Please note that the Computing Consultant II position initially proposed for this work was changed to one of the Environmental Technician V positions.)

To assist transient and other small systems with technical matters and with new initiatives such as capacity development, field positions that include 6 Engineering Technician IV positions, 2

Environmental Engineer I positions and a Water Treatment Plant Consultant were established. Now that the North Carolina Water Works Operators Association Contract will be funded by the Operator Certification Reimbursement Grant from EPA, NCPWSS will evaluate how these funds will be used to support program delivery by temporary, time limited, and/or permanent staff. Additional staffing resources may be added from this set-aside once these decisions are made. In addition, these set-aside funds will provide for printing, postage, travel expenses, laboratory services, water test kits, supplies, computer equipment, telephone expenses, office furniture, training expenses and office rent.

**Number of FTEs**

- 1 Environmental Engineer II
- 2 Environmental Engineer I
- 2 Environmental Technician V
- 6 Engineering Technician IV
- 1 Processing Assistant
- 1 Data Entry Specialist
- 1 Applications Analyst Programmer
- 1 Water Treatment Plant Consultant
- 1 Office Assistant (Temporary)
- 1 Environmental Engineer (Temporary)

**Total FTEs: 17**

**Schedule**

Ongoing work is conducted in accordance with the EPA workplan as dictated by required monitoring schedules and inspection frequencies.

**Evaluation of Work**

The evaluation of the work performed under this set-aside should be approached in terms of the success measurements listed under the *Objectives*. The three most important measures are the percentage of verified TNC systems on inventory, the percentage of TNC systems collecting samples, and the percentage of TNC systems with current sanitary surveys. This work is evaluated biannually by EPA as part of the State Public Water Supply Supervision Program review.

**Summary**

Funding for the TNC program provides for better protection of the public health by identifying and correcting contamination problems that cause sickness or create stress for the consuming public. EPA has increased its emphasis on TNC system enforcement and now insists that these regulated public water systems perform the necessary testing to protect public health.

The plan to regulate the TNC systems provides insufficient permanent staff necessary to perform all necessary program activities. There is also a need to perform source water delineation and assessments and to obtain well coordinates for use with statewide geographical information systems.

The necessary costs for regulation of the TNC systems is divided between this set-aside category, and the technical assistance set-aside category, although the program is coordinated in one branch of the Public Water Supply Section.

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**ATTACHMENT F**

**State Program Management Set-Aside  
Source Water Protection**

**Introduction**

The 1996 Safe Drinking Water Act amendments establish a strong new emphasis on preventing contamination problems and direct states to develop and implement source water assessment and protection programs. The protection of present and future surface water sources as high quality supplies is greatly affected by the land use in the watersheds and wellhead areas.

**Description of the problem**

There is no individual or agency solely responsible for source water protection efforts. Activities are conducted in the Division of Environmental Health's Public Water Supply Section and the Division of Water Quality's Water Quality and Groundwater Sections. Other agencies collect data pertinent to source water protection as well. Continued funding for a position to coordinate activities and to ensure that new EPA requirements are met is desired.

**Objectives**

The objective is to supply adequate resources for the NCPWSS to develop a coordinated state source water assessment and ultimately, protection program, integrating activities that are already being conducted in various agencies. This program will then be able to use the knowledge and experience gained to implement appropriate local source water protection strategies.

**Methods**

This set-aside will continue to fund one position in the Public Water Supply Section to coordinate source water protection activities on a permanent basis. The position will work with Division of Water Quality (NCDWQ) and NCPWSS, as well as other agencies, to help optimize respective activities and respond to EPA mandates. This position will serve as the source water protection program engineer and team leader for source water protection efforts in the NCPWSS. The position will be responsible for developing, implementing, and managing a source water petition program and monitoring waiver program. The position will coordinate work to develop a source water protection program, including coordination with delineation and assessment activities (separate set-aside in FY97 IUP) and contract management. Existing data and work will be used toward this goal.

**Cost**

The fourth-year cost for the program is \$69,341 for twelve months of salary and fringe benefits for an Environmental Engineer II position (This position may be re-classified as a Hydrogeologist III). Operating expenses for this position will be paid from the State Program Management Set-Aside (Attachment E).

**Schedule for Completing Activities**

Source water protection is an ongoing activity. Continued funding for this position will enable NCPWSS to continue development and implementation of local source water protection strategies. To complete the activities required this position will be funded on a permanent basis.

**Evaluation of Work**

For the FY02 set-aside, much of the work performed by this position will be related to source water assessment activities and conceptual development of local source water protection strategies. In future years, work will shift to implementation and management of source water protection activities. Conceptual source water protection strategies and incentives will be discussed with the Technical and Citizens Advisory Committee that assisted the state in the development of the Source Water Assessment Program (SWAP) Plan as well as other organizations in North Carolina with common interest in source water protection. The success of the work will be assessed in terms of the extent to which the Advisory Committee and/or other organizations are able to support developed strategies.

**Summary**

Technical assistance aspects of source water protection require the support of the Division of Water Quality, Division of Land Resources, the Public Water Supply Section, local governments, private water purveyors, and other agencies and organizations. Significant cooperation between state agencies and stakeholders represented by the Technical and Citizens Advisory Committee was realized in the development of the SWAP Plan. The source water protection engineer position funded by this set-aside will allow the NCPWSS to continue working to improve coordination and integration of source water assessment and protection efforts in the state.

**ATTACHMENT G**  
**State Program Management Set-Aside**  
**Capacity Development**

**Introduction**

The increased costs for meeting the requirements of the Safe Drinking Water Act (SDWA) Amendments of 1986 created frustration and concern among small community and non-transient non-community public water systems. The problem was so widespread that it became known as “the small system problem.” This frustration and concern led to provisions for capacity development in the 1996 amendments to the Safe Drinking Water Act.

A viable water system has been defined as one that (1) is self-sustaining; (2) has the commitment; and (3) has the financial, managerial, and technical capability to reliably meet performance requirements on a long-term basis. Viability refers to not only the current status of a water system, but its future. The focus is on helping systems determine what it will take--what capacity they require--to meet the challenges of a changing operating environment. Capacity development places a positive emphasis on improving the capabilities of small water systems.

The issue of affordability is inherent in all elements of any approach to addressing capacity. The 1996 SDWA amendments legitimize, for the first time, an explicit and direct focus on affordability.

**Project Description**

**Problem Statement:**

The 1996 Safe Drinking Water Act Amendments require states to develop and implement a capacity development strategy. The state is central to helping public water systems improve their operations through capacity development programs. According to the amendments, state capacity development programs must contain two main components:

1. Legal authority to ensure that new water systems have sufficient technical, managerial, and financial capacity to meet drinking water standards, and
2. A strategy to identify and assist existing water systems needing improvements to technical, managerial, and financial capacity, or aid to comply with the standards.

**Key Issues:**

1. North Carolina is required to develop and implement a capacity development program. The 1996 Safe Drinking Water Act Amendments required states to demonstrate authority by October 1, 1999, to ensure that new community and non-transient non-community water systems have the technical, financial, and managerial capacity to meet National Primary Drinking Water Regulations. North Carolina’s demonstration of adequate authority was approved by EPA in a letter dated September 21, 1999. Failure to obtain this approval would have resulted in a 20 percent withholding of the Drinking Water State Revolving

Fund allotment the State was otherwise entitled to received. [1420(a)] Sec.119. The first status report to the Governor was due August 2002.

2. Capacity development is critical to a system’s ability to obtain funds from the State Revolving Fund. Systems that are in significant noncompliance or lack technical, financial and managerial capacity to ensure compliance may not receive Drinking Water State Revolving Fund assistance unless the assistance will ensure compliance. When a system lacks capacity, the system must agree to make appropriate changes, as the state deems necessary, to ensure capacity. [1452(a)(3)] Sec. 130.
3. Existing community and non-transient non-community water systems need assistance to improve performance and compliance. Improving capacity is directly related to improvements in performance and compliance. Providing technical assistance and gathering relevant data on existing systems for analysis should occur concurrently with program development. Data gathered should guide program development.
4. By August 6, 1997, states prepared and submitted to EPA a list of community and non-transient non-community water systems that had a history of significant noncompliance, and the reasons for noncompliance. North Carolina reported to EPA in August 2001 on the success of efforts to assist small systems in improving capacity. [1420(b)] Sec.119.
5. New community and non-transient non-community water systems need to know the operational and cost requirements associated with being a public water system. Providing technical assistance for new systems should occur concurrently with program development to aid new systems in compliance planning. Without this assistance, the proliferation of new noncompliant systems will persist.

**Objectives**

1. Oversee development and implementation of a capacity development program to ensure that program objectives are met through efficient, effective and appropriate methods.
2. Identify community and non-transient non-community water systems which have a history of significant noncompliance with the Safe Drinking Water Act and the North Carolina Drinking Water Act and which have an immediate need for assistance.
3. Provide operational and cost planning consultation to proposed new community and non-transient non-community systems to ensure consistent and efficient provision of service.
4. Provide the required reporting to EPA and the North Carolina Governor.

**Methods for Reaching Objectives**

1. Continue to fund in NCPWSS a capacity development program manager to lead the development and implementation of a capacity development program meeting the requirements of [1420(c)] Sec. 119. Implement procedures and review submitted Water System Management Plans, technical plans, and loan documents as required by the “Rules Governing Public Water Systems.” These rules require new community and non-transient non-community water systems to

demonstrate that they have the technical, financial, and managerial capacity to meet the National Primary Drinking Water Regulations.

2. Compile and analyze historical and current data on community and non-transient non-community water system noncompliance. This involves searching existing databases and records for systems with current and previous monitoring and maximum contaminant level violations, and coordinating with regional offices to identify systems with physical deficiencies, which result in non-compliance. Emphasis is on analyzing data for causes and factors contributing to the various categories of non-compliance. An assistance response plan for each category of consultation needs should be developed ultimately.
3. Public Water Supply is developing a procedure to identify proposed new community and non-transient non-community water systems in their planning and development phases. Provide informational literature in a simple understandable format to new systems to aid with compliance planning. This literature should include information on monitoring, reporting, treatment, operation and maintenance requirements and their associated costs.

### **Proposal Cost**

The set-aside for capacity development provides continuing funding for a program manager. Some of the field activities and assistance for systems developing technical, financial, and managerial capacity are incorporated into the state program management set-aside in Attachment E. The technical assistance parts of capacity development will also be supported by the Technical Assistance set-aside in Attachments C and D. The cost for this set-aside is \$69,341 for twelve months of salary and fringe benefits for an Environmental Engineer II position. Operating expenses for this position will be paid from the State Program Management Set-Aside (Attachment E).

### **Schedule for Completing Activities**

Development of a capacity development program and the provision of required technical assistance are ongoing activities. By October 1, 1999 the state had in place new and revised rules to ensure that all new community and new non-transient, non-community water systems commencing operation after October 1, 1999, demonstrate technical, managerial, and financial capacity. By August 6, 2000 the state developed and began implementation of a strategy to assist existing public water supply systems in acquiring and maintaining capacity to comply with the SDWA. A Report on North Carolina's Capacity Development Strategy Implementation was prepared and forwarded to EPA on August 2, 2001. A Report to the Governor was completed and forwarded on September 12, 2002.

### **Evaluation of Work**

The effectiveness of North Carolina's program to establish capacity development authority will be evaluated based on the ability of new and expanding systems to demonstrate technical, managerial, and financial capacity with respect to the "Rules Governing Public Water Systems." This will be documented in the required reports submitted to EPA.

### **Summary**

A system that does not have the technical, managerial, and financial capability to ensure compliance with drinking water regulations cannot receive funding from the state revolving loan fund unless the system agrees to take actions necessary to ensure that it develops such capability.

This project established a capacity development program manager position who directs and oversees the development and implementation of the program.

**ATTACHMENT H**  
**Local Programs and Other Assistance Set-Aside**  
**Wellhead Protection**

**Introduction**

Groundwater is one of North Carolina's most important resources. Over half of the state's population relies on groundwater from private and public wells for drinking water and other residential uses. About 1.75 million people obtain all or part of their drinking water from one of approximately 2,700 community and non-transient, non-community public water supply wells across the state. Of these public water systems, approximately 525 are local government owned. The remainder are owned by non-profit water corporations, homeowner associations, sanitary districts, private individuals, for-profit water companies, and other entities.

This groundwater resource, so heavily relied upon, must be protected in the interest of public health. Groundwater is susceptible to pollution both on and below the land surface. Groundwater contamination would threaten many of our public water systems. North Carolina must actively guard against potential pollution of its groundwater.

State and local agencies already play a role in wellhead protection despite the absence of a mandated local Wellhead Protection (WHP) program. Such agencies include: within the Department of Environment and Natural Resources (DENR), the Division of Water Quality (DWQ), the Division of Environmental Health (DEH), the Division of Water Resources (DWR), and the Division of Waste Management (DWM); in the Department of Health and Human Services, the Division of Epidemiology; and in the Department of Agriculture, the Pesticide Section. Boards and Commissions involved include the Environmental Management Commission, the Commission for Health Services, and the Pesticide Board. Local Governments can protect wellheads through County Boards of Health actions, enacting local well construction ordinances, Planning and Zoning Board actions, and other measures.

Currently a voluntary WHP program exists within the state of North Carolina under the EPA approved State WHP program. Several local governments have developed or are in the process of developing a WHP Plan (WHPP) under the guidance of a WHP Guidebook developed by the Groundwater Section of DENR in cooperation with North Carolina State University and the North Carolina Cooperative Extension Service. NCRWA provides onsite technical assistance to systems developing local WHPPs. North Carolina proposes to continue and build on this foundation by implementing a WHP program to ensure groundwater integrity for the future.

**Problem to be Addressed**

"Wellhead Protection" is a catch-all phrase used by water supply personnel; local, state, and federal officials; business and industry; print, radio, and television reporters; and private citizens, meaning something different to each individual. All parties should have a clear understanding of the meaning of WHP as defined by the US Environmental Protection Agency (EPA). Expansion of the State's WHP program must begin with *Public Education*.

Public water systems in North Carolina have always sought support from the NCPWSS Regional office staff (RO) when faced with water supply problems as well as new water programs. The RO will need

to assist in the development of WHPPs. Their assistance will yield improved operation and compliance with the Safe Drinking Water Act and should improve their relations with the owners of water systems. The RO staff will also be involved in training within their respective regions. The Regional staff will be the first line for enforcing regulations regarding siting new wells with respect to existing and potential sources of contamination and contacting appropriate agencies when groundwater contaminants are identified. Regional staff also inspect groundwater systems for construction and contamination issues that can impact the source of supply, as well as investigating potential incidences of contamination.

### **Objective**

The State will use SRF set-aside funds to promote public education. This includes a visible campaign targeting local and state elected officials, the general public, business and industry leaders, and public water supply owners, employees and operators. This activity has two objectives: (1) to educate the public about WHP and answer questions as to what citizens can do to protect groundwater, and solicit active support for WHP within their community or county (any meaningful WHP program must gain the support of state, county, and local elected officials); and (2) target local and state elected officials to develop and implement local programs. (Local program implementation will require the State to provide technical assistance and training, establish requirements for local WHP program approval, and review and approve local WHP plans.)

The regional offices can contribute to WHP through assistance, training, and enforcement. Each office should respond to appropriate requests for assistance. Anticipated requests for assistance include requests for guidance, interpretation of regulations, and responses to general questions regarding protection of wells. The regional staff must have a thorough working knowledge of WHP and be prepared to provide the necessary training and assistance. Proper application of existing regulations regarding the relationship of wells to sources of contamination is required to ensure the integrity of public water supply well sites. Regional staff will be expected to ensure new wells are properly located.

### **Methods to be Used**

The public education will continue to be coordinated by a Hydrogeologist II housed in the NCPWSS. Administrative support for the Hydrogeologist is provided by an Office Assistant. Public education will also be supported by the Division of Environmental Health's Extension Education & Training Specialist and the Information & Communication Specialist (existing positions). The Hydrogeologist II is also responsible for reviewing and approving local WHPPs. Because many of the elements of a WHP program are the same as the components of the Source Water Assessment Program (SWAP), the Hydrogeologist II and Office Assistant support the delineation and assessment of public ground water supplies as described in the WHP Guidebook and the State's SWAP Plan.

The public education program will use news releases and articles for publication in newspapers, newsletters and publications of professional organizations to educate the public about groundwater protection. The Hydrogeologist will also prepare and present WHP papers at professional and civic organizations including but not limited to: the League of Municipalities, Association of County Commissioners, American Water Works Association, League of Women Voters, NCRWA Annual Conference, etc. News releases and papers will emphasize the value, public health importance and

need for wellhead protection. Radio and TV public service announcements may be produced with the assistance of the UNC Center for Public Education and other state communication professionals.

During the period covered by this set-aside, delineation and assessment of groundwater sources will become available. As source assessments become available they will be included in the education program and used to reinforce WHPP needs. Merging public education and source water delineation and assessment of groundwater, the Public Water Supply Section will present public water supply system owners and others initial findings of the assessment along with scientific data addressing vulnerability of differing geological formations used for public water supply wells and the need for site specific well protection.

The RO staff will continue to assist the WHP Hydrogeologist in recruiting counties to initiate WHP. The RO staff will coordinate the transfer of data on well or contamination sites identified during local WHP work to the central office for inclusion in the SWAP database. Regional staff will enforce existing and new regulations regarding the proximity of wells to sources of contamination. During inspections, they will point out potential sources of contamination to system operators.

Based on the review of WHPPs submitted to date and discussions with local water system representatives, the NCPWSS has identified additional program support needs to facilitate the development of local WHPPs. The following is a summary of contract work, equipment and supplies needed for the ongoing support of the WHP program:

The Public Water Supply Section continues to accurately locate public water supply wells using GPS technology. Obtaining accurate well location data is the first step in completing useful assessments and WHPPs. Contractors (e.g., Interns) or temporary staff will continue to be used to obtain GPS location data for public water supply wells and PCSs and to complete data conversions. Also, the contractors or temporaries will continue to assist in developing data and GIS coverages used in the WHP Program.

Upon receiving approval of a WHPP, public water supply systems must implement the plan as well as periodically update and revise the plan. Public water supply systems with approved WHPPs must update the PCS inventory every three years using the same procedures used to develop the original inventory. The Public Water Supply Section will utilize contractors or temporaries to track public water supply systems' progress in implementing and updating their WHPPs. The contracted intern/temporary will contact public water supply systems with approved WHPPs to determine their compliance with these plans. To encourage participation in the WHP program, the intern/temporary will also contact those systems that have submitted WHPPs but have failed to respond to written requests for additional information. These systems will be encouraged to continue the development of their WHPPs and to seek approval once completed. The intern/temporary will also assist with promoting public education to inform the public about the WHP program and to encourage greater participation.

The GIS computer application that was built to complete source water assessments provides critical information that is needed to develop a WHPP including the delineated area around a well, an inventory of potential contaminant sources, a contaminant rating, an inherent vulnerability rating and an overall susceptibility rating. The ongoing ability of the Public Water Supply Section to provide

this information will make it much easier for systems to voluntarily develop and implement a WHPP. Therefore, contractors will be hired to provide maintenance and necessary upgrades of the SWAP computer application. Equipment and supplies, including software and hardware will be purchased as necessary to allow for efficient operation of the application.

As described in the FY97 IUP the NCPWSS provides funding for the North Carolina Rural Water Association to provide two ground water technicians to assist and guide communities through the process of developing and implementing WHPPs. For the period covered by the FY01 set-aside the NCPWSS plans to renew or extend the funding to continue this technical assistance for local WHP efforts.

### **Cost**

The cost for the proposed contracts, equipment and supplies described above is \$300,000. The cost for a Hydrogeologist II and an Office Assistant III is \$170,980. This includes twelve months of salaries, benefits and operating expenses including the following: educational materials, such as printing guidance manuals, WHP brochures, and radio and TV public service announcements. The cost for personnel and operating support for up to three field positions that may be moved to this set-aside is \$309,000

The contract with the North Carolina Rural Water Association to support local WHP efforts will be renewed or extended at an estimated cost not to exceed \$190,653.

The total cost for this set-aside is \$970,633.

### **Schedule**

Technical assistance for WHP is an ongoing activity. Work under this set-aside is currently under way. Continued funding for the Hydrogeologist II and 1 Office Assistant III will provide for program implementation and coordination. The Public Water Supply Section plans to commit the \$300,000 for contracts, equipment and supplies and the \$190,653 for the contract with the NCRWA within one year of grant approval. Work will be completed as specified in the contracts. Copies of proposals or contracts will be provided to EPA as funds are committed or expended.

### **Evaluation of Work**

The purpose of the State's WHP program is to promote the development and implementation of local WHPPs. As described above, the State will promote the development of local WHPPs through public education, technical assistance and work to delineate and assess public ground water supplies and locate PCSs. The effectiveness of the public education and technical assistance will be evaluated based on the number of local WHPPs that are developed and implemented. The quality of the local WHPPs will be evaluated by the Hydrogeologist II responsible for reviewing and approving local WHPPs. The reporting mechanism will be through the required Source Water Assessment and Protection Reporting.

### **Summary**

States are required by the Safe Drinking Water Act to have a WHP program. Public education and technical assistance are key to establishing a functional WHP program. During the period covered by previous set-asides, significant progress has been made in the development of the State's WHP program. Continued funding for the activities described in this set-aside will allow for the development and implementation of additional WHPPs and local ground water protection activities.

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AGENCY: NC Department of Environment and Natural Resources

## **NOTICE OF PUBLIC HEARING AND MEETING**

**ACTION:** Notice is hereby given that the document titled A North Carolina Drinking Water State Revolving Fund Intended Use Plan - Fiscal Year 2002 is available for public review and comment.

**SUMMARY:** The 1996 amendments to the Federal Safe Drinking Water Act authorized a Drinking Water State Revolving Fund (DWSRF). North Carolina's share of the federal money for FY2002 is \$14,139,900. A 20 percent match is required and will need to be authorized and appropriated by the General Assembly. The SDWA amendments allow certain percentages of the available funds to be used to support non-project activities, such as technical assistance to small water systems, capacity development activities, and source water protection. The Intended Use Plan (IUP) outlines North Carolina's plans to make low interest loan funds available to improve public health and compliance of public water systems and to utilize set-asides for non-project purposes, and is a continuation of the work approved in the FY1997 IUP. North Carolina statutes restrict the issuance of loans to units of local government and non-profit water corporations whose sole purpose is to provide community water or wastewater services. Applicants must submit a request for Categorical Exclusion from the Environmental Assessment review processes when their project is classified as a non-major activity and may be deemed to meet exclusion criteria described in 15A NCAC 1C .0503 and .0504 if no adverse comments are received. The deadline for project application submittal was September 30, 2002. The IUP will be a part of the Capitalization Grant application to the Environmental Protection Agency for federal funds.

**AVAILABILITY OF REVIEW MATERIALS:** Interested parties may obtain a copy of the draft IUP by contacting Ms. Lena Williams at (919) 715-6414; Fax: (919) 715-4374. Technical questions should be directed to Mr. Sid Harrell at (919) 715-3216 for the project funding list and Ms. Jessica Miles at (919) 715-3232 for the set-asides. The IUP and the project list are also available on our web site at [www.deh.enr.state.nc.us/pws/srf/Pages/Federal\\_Program.htm](http://www.deh.enr.state.nc.us/pws/srf/Pages/Federal_Program.htm)

**PUBLIC MEETINGS:** The public hearing is scheduled for March 24, 2003 at 2:30 p.m. in the Division of Air Quality Permits Conference Room (1D240) of the Parker Lincoln Building in Raleigh at 2728 Capital Boulevard.

**COMMENT PERIOD:** Comments on the IUP should be provided at the public hearing or by mail to Lena Williams, North Carolina Public Water Supply Section, 1634 Mail Service Center, Raleigh, NC, 27699-1634 or by e-mail to [Lena.Williams@ncmail.net](mailto:Lena.Williams@ncmail.net). Comments will be received until April 1, 2003.

**MAILING LIST:** Individuals wishing to be placed on a mailing list to receive future notifications regarding the DWSRF must contact Lena Williams at the above location.

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