

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO DEPARTMENT OF HEALTH**

**INTENDED USE PLAN 2022  
BIPARTISAN INFRASTRUCTURE LAW (BIL)  
DWSRF LEAD SERVICE LINE REPLACEMENT (LSLR)  
AND  
DWSRF EMERGING CONTAMINANTS (EC)**

**FINAL  
August 2023**

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## 1.0 INTRODUCTION

The Safe Drinking Water Act (“SDWA”) Amendments of 1996 (Public Law 104-182) authorize the Drinking Water State Revolving Fund (“DWSRF”) to assist public water systems finance the cost of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. The Puerto Rico Department of Health (“PRDOH”), acting on behalf of the Commonwealth of Puerto Rico (“Commonwealth” or “State”), hereby submits to the U.S. Environmental Protection Agency (“EPA”), as part of its annual application for a Capitalization Grant under Section 1452 of the SDWA, an Intended Use Plan (“IUP”) which meets the requirements of Section 1452 of the SDWA, the Water Infrastructure Improvements for the Nation Act of 2017 (“WIIN, 2017”), the America’s Water Infrastructure Act of 2018 (“AWIA”) amendments to Section 1452, the Consolidated Appropriations of FY2022 (“Consolidated, 2022”) (Public Law 117-103), and **Bipartisan Infrastructure Law of November 15, 2021 (hereinafter referred to as “BIL”), also known as the Infrastructure Investment and Jobs Act (IIJA) under P.L. 117-58**. This IUP corresponds to the state's application under the DWSRF Program for the **BIL Lead Service Line Replacement funds (DW BIL-LSLR) FFY 2022** federal capitalization grant, submitted on **October 26, 2022**, and **BIL Emerging Contaminants funds (DW BIL-EC) FFY 2022** federal capitalization grant, submitted on **December 14, 2022**.

**Informatively, following is a summary of implemented changes or additions to the DWSRF Program through previous laws:**

### WIIN, 2017

On December 16, 2016, the Water Infrastructure Improvements for the Nation Act of 2017 (WIIN, 2017) was signed into law:

- make planning, design and associated preconstruction activities eligible for DWSRF assistance,
- eliminates the additional 1:1 match for the State Program Management (10%) set-aside,
- provides states with two additional options to identify the maximum allowable Administration and Technical Assistance (4%) set-aside
- Section WIIN §2108 is not a part of SDWA but a freestanding part of WIIN, that requires all DWSRF assistance recipients with 500 or fewer persons served, to consider publicly owned wells (individual, shared or community) as an option for their drinking water supply, and thus are required to self-certify prior to signing an assistance having evaluated publicly owned well options for their project, and that it was not the best alternative
- inserts the American Iron and Steel (AIS) provision into the SDWA, requiring that all iron and steel products used permanently in an infrastructure project be produced in the USA, unless a waiver has been approved by EPA. Please refer to *AIS Guidance March 2014; Questions and Answers (Q&A) Part I – Valves, Hydrants (May 2014); Questions and Answers (Q&A) Part II–Product, Project, and Process (Sept. 2014); Questions and Answers (Q&A) Part III – Plans Specifications Dates... (March 2015)* in **Attachment I**.

## AWIA, 2018

It was enacted on October 23, 2018, with amendments to the SDWA §1452 (42 U.S.C. 300j-12):

- authorizes extended infrastructure loan terms,
- requires the provision of additional subsidy to state-defined disadvantaged communities,
- encourage systems to develop asset management plans,
- expands source water protection-related eligibilities under the Local Assistance set-aside.
- changes related to prevailing wages, needs survey, and other authorized activities,
- makes replacing or rehabilitating aging treatment, storage, or distribution systems DWSRF-eligible,
- requires states to use at least 6% (which was amended later to 12% by P.L. 117-103, 2022) but no more than 35% of the capitalization grant amount for additional subsidy for state-defined Disadvantaged Communities,
- extends the maximum-authorized DWSRF loan amortization period up to 30 years for any DWSRF-eligible recipient (previously, 20 years); or up to 40 years (previously 30 years) for state-defined disadvantaged communities, or design life, whichever is shorter,
- extends the authorized loan repayment initiation up to 18 months after project completion (previously, 12 months).
- Further, fees included as principal in a loan, cannot be assessed on a disadvantaged community receiving additional subsidy under the Disadvantaged Community Additional Subsidy authority {40 CFR §35.3525(b) (3)}.

Please refer to Memorandum of March 25, 2019 – *Implementations of Drinking Water State Revolving Funds (DWSRF) – related SDWA Amendments in America’s Water Infrastructure Act (AWIA) of 2018* in **Attachment I**.

## BIL

Congress passed the P. L. 117-103 on November 15, 2021, the BIL, which includes new provisions applicable to the base DWSRF programs and, unless otherwise directed, are also applicable to projects funded in whole or in part with BIL funds:

- Increases the lower floor to 12% (previously, 6%), but no more than 35% of the capitalization grant amount, for additional subsidy for state-defined Disadvantaged Communities (modified for BIL funds)
- Expands the eligible forms of financing of additional subsidy to include grants; buying, refinancing, or restructuring debt; and other loan forgiveness (prior to the BIL, subsidies exclusively in the form of a *loan* (e.g., loans which include principal forgiveness and/or a negative interest rate)).
- Made the American Iron and Steel (AIS) provision permanent for DWSRF regular base program projects
- Implement the Build America Buy America (BABA) Act expanding the existing American Iron and Steel (AIS) requirements to include construction materials and manufactured

goods to be manufactured in the USA, unless the State or EPA grants a waiver or determines it is not applicable. See **Section 1.6** of this IUP.

- Additional subsidization is to be given to disadvantaged communities under the Disadvantaged Community Additional Subsidy Authority, and under the BIL, the minimum and maximum percentages, notwithstanding section 1452(d)(2) of the SDWA, have been modified from 49% up to 100% as detailed on **Sections 1.1** and **8.2.3**.
- State match requirements were waived and/or modified for BIL capitalization grants (See **Section 3**)
- The BIL assigned three (3) additional appropriations to strengthen the nation’s drinking water systems addressing urgent water challenges for all communities, especially disadvantaged communities, for five years of BIL appropriations, from FY 2022 to FY 2026. EPA has issued and will issue procedures for FYs 2022 through 2026 with allotment tables and any other necessary program updates. Please refer to **Attachment II**.

This law is an investment increase to:

- replace lead service lines classified as DWSRF Lead Service Line Replacement (“DW BIL-LSLR”),
- address emerging contaminants, especially PFAs, classified as DWSRF Emerging Contaminants (“DW BIL-EC”), and
- a general supplemental provision to the regular base funds, classified as DWSRF General Supplemental.

**This IUP corresponds only to the FY2022 Lead Service Line Replacement (DW BIL-LSLR) and Emerging Contaminants (DW BIL-EC) funds under the BIL.**

**DW BIL-LSLR Funding**

The BIL made available an appropriation for the DWSRF program to fund lead service line replacement projects or associated activity *directly connected* to the identification, planning, design, and replacement of lead service lines.

The BIL appropriates for Puerto Rico a total of \$142,050,000, approximately, for DW BIL-LSLR from fiscal years FY2022 through 2026 as shown in **Table 1** below. The DWSRF will be used to facilitate financing from the FFY 2022 DW BIL-LSLR capitalization grant for eligible projects as shown in **Table 7**.

Additional information related to the DWSRF program and BIL funds procedures is available at <https://www.epa.gov/dwsrf> or <https://www.epa.gov/dwsrf/bipartisan-infrastructure-law-srf-memorandum>

**Table 1- PRDWSRF Summary of DW BIL-LSLR Appropriations (FY2022 through 2026)**

| Appropriation | 2022         | 2023       | 2024       | 2025       | 2026       | Total         |
|---------------|--------------|------------|------------|------------|------------|---------------|
| DW BIL-LSLR   | \$28,350,000 | 28,650,000 | 28,350,000 | 28,350,000 | 28,350,000 | \$142,050,000 |

### **DW BIL-EC Funding**

The BIL made available an appropriation for the DWSRF program to address emerging contaminants in drinking water. For a project or activity to be eligible for funding under this appropriation, it must be otherwise DWSRF eligible, and the primary purpose must be to address emerging contaminants in drinking water. Congressional intent is that these funds focus on projects addressing perfluoroalkyl and polyfluoroalkyl substances (hereinafter “PFAS”). States, however, have the flexibility to fund projects for any contaminant in any of EPA’s [Contaminant Candidate Lists](#).

The BIL appropriates for Puerto Rico a total of \$37,860,000, approximately, for Emerging Contaminants, from fiscal years FY2022 through 2026 as shown in **Table 2** below. The DWSRF will be used to facilitate financing from the FFY 2022 DW BIL-EC capitalization grant for eligible projects as shown in **Table 8**.

Additional information related to the DWSRF program and BIL funds procedures is available at <https://www.epa.gov/dwsrf> or <https://www.epa.gov/dwsrf/bipartisan-infrastructure-law-srf-memorandum>

**Table 2- PRDWSRF Summary of DW BIL-EC Appropriations (FY2022 through 2026)**

| <b>Appropriation</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>Total</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>DW BIL-EC</b>     | \$7,555,000 | 7,640,000   | \$7,555,000 | \$7,555,000 | \$7,555,000 | \$37,860,000 |

These procedures address the implementation of the requirements and set forth administration priorities related to the BIL funds. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated in these procedures. During this current fiscal year, the additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting will prevail with variations. Applicable changes will be detailed in the corresponding sections.

### **Program Priorities**

There are certain administration priorities under which EPA encourages the states to work with potential SRF funding recipients in order to provide funding support for robust systems/wide planning or improving sustainability of water infrastructure that:

- consider the full life-cycle costs of a range of alternatives, including green infrastructure and conservation approaches,
- are consistent with community goals and objectives,
- include a financial strategy to ensure that the infrastructure can be sufficiently operated, maintained, and replaced over time, and
- support resilience to make water systems more resilient to all threats, whether it is natural disasters, climate change, or threats such as bioterrorism and cyber-attacks

- ensure that disadvantaged communities benefit equitably
- make rapid progress on lead service line replacement, if identified
- address PFAS or emerging contaminants, if identified

This Intended Use Plan (IUP) includes:

- an anticipated financing schedule for this IUP period;
- specifics on how DOH proposes to use available DWSRF funds as well as any ULO's that may be pending;
- a description of the goals (short and long term) of the DWSRF program;
- a description of the state DWSRF program's coordination of funding priorities with the state drinking water enforcement agency;
- a Robust Readiness Project Priority List of eligible projects to receive DWSRF financing **under the DW BIL-LSLR and DW BIL-EC funds**;
- cost estimates for listed projects;
- an estimate of funds anticipated to be available for financial assistance;
- criteria for selecting projects to receive financial assistance;
- criteria for determining which communities qualify for hardship loan;
- criteria for determining systems qualifying for the additional subsidization if applicable;
- the project scoring, ranking and selection system;
- a response to comments on the proposed ranking system, if any;
- a discussion regarding the state's strategy to responsibly and expeditiously make use of set-asides un-liquidated funds from capitalization grants still open from more than two years earlier than the creation of the IUP; and
- indication if the state is designating green projects and the method-criteria used for designating, if applicable.

### **Continuous Program Requirements**

Following is the continuous requirements, under the P.L. 117-103 (Consolidated **2022**) with new variations when applicable under the **BIL**.

#### **1.1 Additional Subsidization**

Regarding the additional subsidization, we must indicate that, by law SDWA, as amended, for the Regular Base capitalization grant funds, there are two "additional subsidies". We reference one as the "Mandatory Congressional Subsidy", which for the last few years has been established by law to be 14%, and the second as the "Disadvantaged Community Additional Subsidy" (previously "Limited 35% Subsidy"), which is awarded as a subsidy to Disadvantaged Communities from 12% to 35% of capitalization grant allotted. But now, under **the BIL**, notwithstanding section 1452(d)(2) of the SDWA, these subsidies have



been modified to prioritize disadvantaged communities that meet State's affordability criteria, as explained in **Sections 1.1.1** and **1.1.2** of this IUP.

### **1.1.1 "Mandatory Congressional Subsidy"**

This subsidy, which has been provided in the Regular Base DWSRF funds since FY2010, as either a range of percent or an exact percent. Now, **under the BIL**, it was not established for funds under DW BIL-LSLR. But for funds under **DW BIL-EC**, it was established as follows:

- requires states to provide **100%** of the DW BIL-EC capitalization grant amount, net of set-asides taken, as additional subsidization in the form of grants and/or 100% principal loan forgiveness to eligible recipients.
- EPA states that per SDWA, States must direct **at least 25%** of these funds to water systems that meet the State's disadvantaged community (**DAC**) criteria or to public water systems serving **fewer than 25,000** persons. (See **Sections 6.4** and **8.2** in this IUP for more detail and DOH's determination).

### **1.1.2 "Disadvantaged Community Additional Subsidy"**

The **BIL** amended requirements related to additional subsidy assistance for disadvantaged communities for funds under the Regular Base Program, requiring States to use at least 12% (an increase from 6%, amendment from AWIA, 2018), but no more than 35%, of the capitalization grant amount for additional subsidy, for state-defined Disadvantaged Communities (Refer to **Section 8.0** in this IUP).

Nonetheless, as mentioned before, for funds **under BIL**, this requirement was amended. (Refer to **Section 8.2** for DOH's determination of use of these funds)

## **1.2 Green Project Reserve (GPR)**

The BIL establishes that the green project reserve (GPR) is applicable to the BIL capitalization grants for the corresponding fiscal year, as provided for in the annual appropriation. Therefore, as established in the AWIA of 2018 and the P.L. 117-103, Consolidated **2022**, "funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants *may*, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities".

For several years, DOH has been able to use funds in the amount of \$8.6 million under the Green Project Reserve for projects directed towards water and energy efficiency. Notwithstanding, during this year, Puerto Rico has not been able to identify green infrastructure within the projects that will be funded from the **BIL FFY2022 LSLR and EC** funds and, thus, will not use monies provided by this grant to address green infrastructure funds.

Notwithstanding, in the **Attachment III - System Criteria and Ranking Methodology (Summary), H, Green Portion (only for Green Projects)**, provisions are established to rank green projects, if there may emerge any such projects.

### **1.3 Davis-Bacon Requirements**

As stated by the P.L. 117-103, Consolidated **2022**, “For fiscal year **2022** and each fiscal year thereafter, the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with such assistance made available by a drinking water treatment-revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).” Therefore, this requirement is now permanent for both SRF programs. **The BIL**, establishes that this provision remains in effect per stated in the SDWA, as amended.

DOH, as recipient, agrees to comply with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9e)) and section 1452 of that Act (42 U.S.C. 300j-12).

In order to comply with the Davis-Bacon requirements, the Commonwealth will include in all assistance agreements, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project, the provisions in the Consolidated **2022**, a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and it will require that loan recipients, procurement contractors and sub-grantees to include such a term and condition in contracts or subcontracts and other lower tiered transactions in excess of \$2,000, the contract clauses. Refer to *Interim Davis Bacon Act Guidance (EPA) March 2010* (<https://www.epa.gov/drinkingwatersrf/interim-davis-bacon-act-guidance>) in **Attachment I**.

### **1.4 Reporting Requirements**

The SDWA requires in general a series of reports that need to be provided as part of the administration of the Program. Such as the following:

- Annual/Biennial Report
- IUP
- Report to Governor
- DWSRF Project Benefits Reporting (PBR)
- Federal Funding Accountability and Transparency Act (FFATA)
- National Information Management System (NIMS)

States have to report how they have used the additional subsidization authority, including information on the number and amounts of loans awarded with additional subsidization, recipient communities, and descriptions of projects funded. States shall report quarterly in the DWSRF Project and Benefits Reporting (PBR) systems on the use of all SRF funds. This information will also need to be included in the Annual Report. Quarterly reporting shall include use of the funds for the GPR, Additional Subsidization, as well as information on the environmental and public health benefits of SRF assistance agreements, and any other information regarding BIL funds. Also, in the Report to the Governor, on the efficacy of the strategy and progress made of implementing asset management plans toward improving the technical, managerial, and financial capacity of public water systems in the State.

**The BIL establishes that this provision remains in effect per stated in the SDWA, as amended.**

#### **1.4.1 Data Elements**

The Drinking Water Project and Benefit Reporting (PBR or CBR/PBR) data base and the Annual Report must contain information on the progress made in meeting the additional subsidization requirements for SRFs, as well as any green projects funded by the State for the DWSRF.

The following data elements must be entered quarterly into CBR/PBR starting with the first quarter in which the assistance agreement is made and a list containing the following information must be included in State Annual Reports. (Additional clarification on the items listed below is provided in CBR/PBR.)

- a. Assistance Recipient Name
- b. Total amount of SRF assistance provided
- c. Project name and identification number
- d. Project Location
- e. Type of additional subsidy (grant, principal forgiveness, negative interest).
- f. Amount of additional subsidy

- g. Y/N – Would the recipient have been able to afford a loan without the additional subsidy (using the States’ own criteria for making this determination, such as use of their SRF loan evaluation criteria)?

For projects which are funded as green projects at the State’s discretion for the DWSRF, the following additional data elements must be entered quarterly into CBR/PBR and a list containing the following additional information must be included in State Annual Reports. (Additional clarification on the items below is provided in CBR/PBR).

- a. Type of project (green infrastructure, water efficiency, energy efficiency, environmentally innovative).
- b. Amount of SRF funding for GPR portion of the project.
- c. Of the total amount of GPR funding, the amount of subsidy provided (if any).
- d. A brief description of the project (i.e., rain garden, renewable energy at POTW, water efficient fixtures).
- e. Population served by the project

#### **1.4.2 Environmental/Public Health Benefits Reporting/NIMS**

The data elements were identified in Attachment I of the FY 2012 Procedures (as identified in *Attachment 8 of the DWSRF Projects Benefit Reporting Data Elements 2012 Procedures*) and shall include use of the funds for the GPR and Additional Subsidization, as well as information on the environmental benefits of SRF assistance agreements **and any information regarding the BIL funds**. These data elements will be reported by DOH in the Annual Report and will be reporting quarterly in the DWSRF PBR system on the use of all SRF funds.

Annually, DOH has committed in the preparation of the NIMS. It is DOH’s intention to continue participating in the preparation of the NIMS and will use the resources of the PBR and NIMS web platform to enter this information.

#### **1.4.3 Needs Survey**

We must point out that AWIA§1452(h) also modifies the reporting regarding the Needs Survey. The amendment requires the EPA to include an estimate of replacement costs for all lead service lines, public and private, in Needs Surveys conducted after October 23, 2018.

DOH will keep assisting systems in order to provide the information needed for Needs Surveys.

## 1.5 Unliquidated Obligations

According to EPA's grants policy issuance 12-06 *"Timely Obligations, Award and Expenditure of EPA Grant Funds* the memorandum dated Sept. 12, 2013, for *"Maximizing the Benefits of the DWSRF through efficient federal funds management practices"*, and the memorandum dated April 14, 2014 for *"DWSRF ULO's Reduction Strategy"*, DOH has determined to use several practices that are detailed on these memoranda to accelerate the use of the ULOs.

- Use the federal funds in a first-in-first-out (FIFO) basis.
- Evaluate reimbursement requests from the "loanee"<sup>1</sup>, related to projects whose eligible cost resulted greater than the estimated assistance established.
- Projects in Project Priority (Readiness) List, whether it is in their design and/or construction process, will be reevaluated in order to maintain or eliminate their financing, when they are being delayed
- Continue to use the established robust list of fundable/ready to proceed projects until no more funding is requested by Loanee and keep adding new eligible projects.
- Disbursement requests are being and will be processed as they are received in a timely manner as usual, from the federal portion first, then from Repayment funds. In the case of projects funded from BIL funds, if they were to have funding from the Regular Base Allotments also, the grants corresponding to the BIL will be disbursed first, as per EPA's instructions of BIL funds.
- DOH will focus on the ready-to-proceed projects and/or with the projects bypass procedures for projects not yet ready-to-proceed.
- DOH is in coordination/notification of these initiatives to the current, and up to date, sole "loanee" PRASA, and as of today, DOH is coordinating these activities directly with PRIFA.
- DOH will be monitoring how the ULO's diminish and will evaluate the implementation of other alternatives and/or suggestions made by EPA to DOH as an ULO's reduction plan.
- DOH have proceeded and will continue to proceed with the use of the repayment funds, based on the information provided by EPA regarding the ULO's. Therefore, DOH disbursed the funds that were pending and that were associated to those loans that were restructured that corresponded to fiscal years 2009 through 2014. The remaining balance of \$16,601,522.24 was included in subsequent Financial Agreement

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<sup>1</sup> Currently PRASA is the sole "loanee" or entity requesting and receiving loans from the DWSRF.

corresponding to FY2019 through FY2021 funds, and disbursements from the Repayment Account have continued.

## **1.6 Build America Buy America (“BABA”) Requirements**

The Made in America Office (MIAO) of the Office of Management and Budget (OMB) published Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure (OMB Guidance M-22-11) on April 18, 2022. The guidance provides government-wide implementation direction for all Federal financial assistance programs for infrastructure. Therefore, Federal financial infrastructure investments obligated on or after May 14, 2022, must comply with the BABA requirements. Absent a waiver, all iron, steel, manufactured products, and construction materials permanently incorporated into an infrastructure project subject to the BABA requirements must be produced in the United States.

For more information on the BABA requirements, visit the EPA Office of Water’s dedicated website – <https://www.epa.gov/cwsrf/build-america-buy-america-baba>. For information on approved waivers, visit <https://www.epa.gov/cwsrf/build-america-buy-america-baba-approved-waivers>. You may also email questions to [BABA-OW@epa.gov](mailto:BABA-OW@epa.gov).

DOH will include the BABA requirements in Assistance Agreements in order that subrecipients incorporate them in projects’ solicitation for bids and in contracts and subcontracts.

## **2.0 SHORT AND LONG-TERM GOALS**

The SDWA Amendments of 1996 (Public Law 104-182) authorize the DWSRF to assist public water systems finance the cost of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. The SDWA Amendments also establish strong new emphasis on preventing contamination problems through source water protection and enhanced water system management. Central to this emphasis, is the development of Commonwealth prevention programs, including source water protection, capacity development and operator certification.

The objectives of the DWSRF program include achieving compliance with the SDWA, addressing public health priorities, assisting systems to ensure affordable water and maintaining the long-term viability of the Fund.

## 2.1 Short-Term Goals

### DW BIL-LSLR:

- help local water systems with development or updating of lead service line inventories, including locating and mapping lead service lines.
- Complete removal of lead service lines (public and privately owned portion), including any connectors, and replace with a pipe that meets the requirements established under 40 CFR 143 and which complies with state and local plumbing codes and or building codes, in order to reduce and eliminate exposure to lead and its harmful impacts.

### DW BIL-EC:

- To reduce people's exposure to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants in drinking water, including those under the National Secondary Drinking Water Contaminants.

## 2.2 Long-Term Goals

- Promote and maintain an infrastructure construction program for the drinking water facilities of the Commonwealth.
- Evaluate the DWSRF operating structure to ensure the program is administered in a manner that assures its revolving nature in perpetuity.
- Assist PRASA in their quest to improve drinking water quality and dependability in the Commonwealth.

## 3.0 FINANCIAL STATUS/TOTAL DWSRF MONIES

### State Match

For both the LSLR and EC funds under the BIL, no state match is required.

### Set Asides

DOH will not establish set asides for both the LSLR and EC funds for FY2022 but reserves the authority to take from future capitalization grants, funds not requested at this time, as shown on **Tables 3 and 4. Nonetheless, set-asides were established in the FY2022 Base and BIL Supplemental capitalization grants to be used for activities related to LSLR and Emerging Contaminants, and personnel under the regular DWSRF Program will be used to undertake and manage these two grants paid by the Administration set asides in the above-mentioned FY2022 Base and BIL Supplemental set-asides. The Base and BIL Supplemental grants, in accordance with the BIL can provide funds to undertake the Administrative actions. PRDOH has**

determined to allocate all funds for projects due to the importance of the grants in regard to public health.

The following table provides a summary of the set-asides funds available from previous grants and cash draws executed.

**Table 3: Set-Asides cash drawn to date**

| Set-aside*                             | Previous Awards <sup>Δ</sup> | Cash Draw as of Sept 30, 2022 | Obligations  | Available |
|--|------------------------------|-------------------------------|--------------|-----------|
| Technical**                            | \$4,883,564                  | \$4,243,269.50 <sup>†</sup>   | \$640,294.50 | \$0.00    |
| State Program Management <sup>ΔΔ</sup> | \$220,220                    | \$0.00 <sup>∞</sup>           | \$220,220    | \$0.00    |

\* There is no work plan required for administrative set-aside. The Commonwealth of Puerto Rico will be **banking** the amount of **\$1,134,000 (4%)** and **\$302,200 (4%)** for **FY2022 DW BIL-LSLR** and **DW BIL-EC** for the **Administrative** set-aside, respectively.

DOH reserves the authority to take from future capitalization grants, funds not requested at this time for the applicable set-aside.

<sup>Δ</sup> This amount includes up to FY 2021 capitalization grant technical set-aside.

\*\* The Commonwealth of Puerto Rico will be **banking** the amount of **\$567,000 (2%)** and **\$151,100 (2%)** of the **DW BIL-LSLR** and **DW BIL-EC** allotment, respectively, corresponding to the FFY 2022 Capitalization Grants for the **Technical Assistance** set aside. DOH reserves the authority to take from future capitalization grants, funds not requested at this time for the Technical Assistance set-aside.

<sup>ΔΔ</sup> The State Program Management set-aside corresponding to the **FY 2022 DW BIL-LSLR** and **DW BIL-EC** capitalization grants will be **banked** in the amount of **\$2,835,000 (10%)** and **\$755,500 (10%)**, respectively. DOH reserves the authority to take from future capitalization grants corresponding to funds not requested at this time for the State Program Management set-aside.

<sup>†</sup> This amount includes cash draws in process before September 30, 2022.

<sup>∞</sup> It is important to note that although this set-aside was established in FY 2020, up to Sept. 30, 2022, cash draws execution has not been possible. Due to problems in the grant award and, as indicated by EPA, they needed to deobligate the funds and then obligate them, a new amendment is necessary. **EPA's action/response was received in the first quarter of FY 2023 and cash draws were initiated.**

During this fiscal year for the **DW BIL-LSLR** and **DW BIL-EC** funds, DOH **banked** the 2% available for the Technical Assistance set-aside, the 10% available for the State Program Management set-aside, and the 4% available for Administration set-aside. This Department reserves the right to take from future capitalization grants amounts not claimed at this time. **Nonetheless, set-asides were established in the FY2022 Base and BIL Supplemental capitalization grants to be used for activities related to LSLR and Emerging Contaminants, and personnel under the regular DWSRF Program will be used to undertake and manage these two grants paid by the Administration set asides in the above-mentioned FY2022 Base and BIL Supplemental set-asides. The Base and BIL Supplemental grants, in accordance with the BIL can provide funds to undertake the Administrative actions.**



### **Project Funds**

As previously indicated, the time under or subject to the cut-off and, thus, taken to complete PRASA's the debt restructure, affected the development and use of funds of all the grants-awarded grants and in process of award by EPA. After the riddance to the cut-off, as of today, all pending disbursements were executed and disbursed. The financial agreements pending execution corresponding to funds from fiscal year 2015 through 2017 funds were executed as one financial agreement, and for FY2018 funds another agreement was executed. During FY2022, a new Financial Agreement corresponding to the funds of FY 2019 through 2021 was prepared and submitted to PRIFA for its execution **and it was executed on June 12, 2023**. Subsequently, open grants were revised and amended by EPA.

The cash draw proportionality for FY **2022 DW BIL-LSLR** and **DW EC** funds will be **100% federal** and **0% state** match, since no state match is required, as established in the BIL and also described in the disbursement schedules.

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**Table 4: Sources of funds IUP FY2022 DW BIL-LSLR and DW BIL-EC capitalization grants**

| SOURCES OF FUNDS  | Maximum Available Amount    |                           | TOTAL AMOUNT TO BE USED |
|---|-----------------------------|---------------------------|-------------------------|
|   | CAP. GRANT 2022 DW BIL LSLR | CAP. GRANT 2022 DW BIL EC |                         |
| Grant Funds <sup>√</sup>  | \$28,350,000                | \$7,555,000               | \$35,905,000            |
| State Match*  | 0                           | 0                         | 0                       |
| Repayment   | 0                           | 0                         | 0                       |
| <b>Total Resources</b>  | <b>\$28,350,000</b>         | <b>\$7,555,000</b>        | <b>\$35,905,000</b>     |
| <b>USES SET-ASIDES** (ref. to Sec. 4, Set Asides, for detailed description of allocations)</b>  |                             |                           |                         |
| Administration (4%) - <b>banked</b>   | \$1,134,000                 | \$302,200                 | 0                       |
| Technical Assistance (2%) - <b>banked</b>   | 567,000                     | 151,100                   | 0                       |
| State Program Management (10%) – <b>banked</b>  | 2,835,000                   | 755,500                   | 0                       |
| <b>Total Set Asides</b>   | <b>\$4,536,000</b>          | <b>\$1,208,800</b>        | <b>0</b>                |
| <b>Amount available for Projects Financial Agreement</b>  | <b>\$28,350,000</b>         | <b>\$7,555,000</b>        | <b>\$35,905,000</b>     |
| <b>FINANCIAL AGREEMENT DISCLOSURE</b>   |                             |                           |                         |
| Mandatory Congressional Add'l. Subsidy  | \$0                         | \$5,000,000               | \$5,000,000             |
| Disadvantage Comm. Additional Subsidy   | (49%) 13,891,500            | (≥25%) 2,555,000          | \$16,446,500            |
| <b>TOTAL AMOUNT FOR SUBSIDY</b>   |                             |                           | <b>\$21,446,500</b>     |
| <b>TOTAL AMOUNT FOR LOAN BY THE NOTE</b>  |                             |                           | <b>\$14,458,500</b>     |
| <p>√ Of the capitalization grant amount, only the following subsidy may be established as subsidized loan: <b>exactly 49%</b> from the <b>DW BIL-LSLR</b> capitalization grant to water systems that meet the state's disadvantaged community (DAC) criteria; and 100% for DW BIL-EC cap. grant, net of set asides taken, from which <b>at least 25%</b> must be provided to disadvantaged communities or systems serving less than 25,000 persons.</p> <p>*<b>BIL waives the requirement of providing state match for DW BIL-LSLR and DW BIL-EC</b></p> <p>** The Commonwealth of Puerto Rico will be banking the set-asides monies from <b>DW BIL-LSLR</b> and <b>DW BIL-EC FY 2022</b> as follows: 4% or <b>\$1,134,000</b> and <b>\$302,200</b> for the <b>DW BIL-LSLR</b> and <b>DW BIL-EC</b> Administration of the Program, respectively; 2% or <b>\$567,00</b> and <b>\$151,100</b> for the <b>DW BL-LSLR</b> and <b>DW BIL-EC</b> Technical Assistance set-aside, respectively; and 10% or <b>\$2,835,000</b> and <b>\$755,500</b> for the <b>DW BIL-LSLR</b> and <b>DW BIL-EC</b> State Program Management set-aside, respectively. DOH reserves the authority to take from future capitalization grants funds not requested under the <b>Administration, Technical Assistance and State Program Management</b> set-asides.</p> |                             |                           |                         |

**Assistance to Small Systems with Population < 10,000**

A state must annually use at least 15% of all funds credited to the fund account to provide loan assistance to systems serving fewer than 10,000 persons (Section 1452(a)(2)), to the extent that there are enough eligible projects to fund. It is the Commonwealth's strategy to award loans to systems that eliminate or consolidate small systems serving a population of 10,000 or less. The following table presents a summary of the loan assistance provided by the Commonwealth to small systems. Previous data from fiscal years 1998 up to FY2019 is included in **Attachment VI**.

**Table 5: Assistance to Small Systems <10,000 by FYs**

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000 BY LOAN AND FISCAL YEAR SINCE FY 2020 |  |                     |                      |         |             |               |
|--|--|---------------------|----------------------|---------|-------------|---------------|
| YEAR   | PROJECT NAME   | < 10,000            | > 10,000             | POP.    | %           | CUM %         |
| 2020   | Culebrinas WTP, Aguadilla, Ph. I   |                     | \$ 2,645,252         | 142,486 |             |               |
|  | Culebrinas WTP, Aguadilla, Ph. II-<br><i>Project originally in IUP but eliminated later by PRASA</i> |                     | 0                    | 0       |             |               |
|  | Ponce Vieja WTP, Ponce   |                     | 5,759,115            | 27,215  |             |               |
|  | Cerro Gordo WTP, San Lorenzo   |                     | 2,645,252            | 28,000  |             |               |
|  | Cerro Gordo Raw Water Intake   |                     | 2,645,252            | 28,000  |             |               |
|  | Termination of Juncos Valenciano   |                     | 1,212,417            | 52,500  |             |               |
|  | Coto Laurel WTP, Ponce   |                     | 1,000,000            | 14,060  |             |               |
|  | Ponce Nueva WTP, Ponce   |                     | 2,000,000            | 170,075 |             |               |
|  | Termination of Toa Vaca, Villalba  |                     | 2,000,000            | 40,000  |             |               |
|  | <b>\$ 17,552,540</b>   | <b>\$0</b>          | <b>\$17,552,540</b>  |         | <b>0%</b>   | <b>13.1%</b>  |
| 2021   | Culebrinas WTP, Aguadilla, Phase I   |                     | \$ 2,100,000         | 142,486 |             |               |
|  | Coto Laurel WTP  |                     | 1,000,000            | 14,060  |             |               |
|  | Ponce Vieja WTP, Ponce   |                     | 3,000,000            | 27,215  |             |               |
|  | Cerro Gordo WTP, San Lorenzo   |                     | 2,000,000            | 28,000  |             |               |
|  | Cerro Gordo Raw Water Intake,  |                     | 3,000,000            | 28,000  |             |               |
|  | Termination of Juncos Valenciano   |                     | 2,082,682            | 52,500  |             |               |
|  | Ponce Nueva WTP, Ponce   |                     | 3,000,000            | 170,075 |             |               |
|  | New Dist. Tank FP Corozal (Termin.)  | \$ 2,180,000        |                      | 6,363   |             |               |
|  | Termination of Toa Vaca  |                     | 3,000,000            | 40,000  |             |               |
|  | Salinas WTP- <i>Project originally in IUP but eliminated later by PRASA</i>                          |                     | 0                    | 0       |             |               |
|  | <b>\$ 29,362,682**</b>   | <b>\$ 2,180,000</b> | <b>\$ 27,182,682</b> |         | <b>7.4%</b> | <b>12.7%</b>  |
| 2022<br>BASE   | New Tank FP Corozal (Termination),<br>Corozal  | \$500,000           |                      | 6,363   |             |               |
|  | Termination of Juncos Valenciano   |                     | 5,000,000            | 52,500  |             |               |
|  | Coto Laurel WTP  |                     | 500,000              | 14,060  |             |               |
|  | Ponce Vieja WTP, Ponce   |                     | 1,000,000            | 27,215  |             |               |
|  | Cerro Marquéz WDS, Arecibo   |                     | 4,000,000            | 81,548  |             |               |
|  | Cerro Gordo WTP, San Lorenzo   |                     | 500,000              | 28,000  |             |               |
|  | Cerro Gordo Raw Water Intake, San<br>Lorenzo   |                     | 788,320              | 28,000  |             |               |
|  | <b>\$ 12,288,320</b>   | <b>\$500,000</b>    | <b>\$11,788,320</b>  |         | <b>4.1%</b> | <b>12.40%</b> |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000 BYLOAN AND FISCAL YEAR SINCE FY 2020 |  |                    |                      |           |              |               |
|---|--|--------------------|----------------------|-----------|--------------|---------------|
| YEAR  | PROJECT NAME   | < 10,000           | > 10,000             | POP.      | %            | CUM %         |
| 2022<br>BIL<br>Gen.<br>Suppl.   | Aibonito-La Plata, Aibonito  |                    | \$2,000,000          | 15,973    |              |               |
|   | Vieques-Naguabo, Vieques (Vieques-Naguabo WDS Improvements)                    |                    | 2,500,000            | 82,557    |              |               |
|   | Guayama Urbano RWI, Guayama (RWI pipe from Penstock Carite III to Guayama WTP) |                    | 1,496,549            | 34,671    |              |               |
|   | Ponce Urbano WDS, Ph. IV-B Ponce (Ponce en Marcha IVB- Ponce Urbano WDS)       |                    | 4,000,000            | 12,2229   |              |               |
|   | Ponce Urbano WDS, Ph. IV-C Ponce (Ponce en Marcha IVC- Ponce Urbano WDS)       |                    | 2,000,000            | 12,2229   |              |               |
|   | Mayaguez Urbano, Mayaguez (Bo. Rio Cañas WDS Improv.- Mayaguez)                |                    | 1,635,611            | 15,1538   |              |               |
|   | Jagual WTP, San Lorenzo (Jagual WTP Improvements, San Lorenzo)                 | \$2,000,000        |                      | 5,443     |              |               |
|   | Yabucoa Urbano, Yabucoa (8" pipe replace. Camino Nuevo- Yabucoa)               |                    | 2,000,000            | 11,050    |              |               |
|   | <b>\$17,632,160</b>  | <b>\$2,000,000</b> | <b>\$15,632,160</b>  |           | <b>11.3%</b> | <b>12.36%</b> |
| 2022<br>BIL<br>LSLR   | Service Line Inventory- Metro  |                    | \$ 3,000,000         | 1,132,799 |              |               |
|   | Service Line Inventory- North  |                    | 3,000,000            | 543,090   |              |               |
|   | Service Line Inventory- South  |                    | 3,000,000            | 668,845   |              |               |
|   | Service Line Inventory- East   |                    | 3,000,000            | 474,311   |              |               |
|   | Service Line Inventory- West   |                    | 3,000,000            | 641,028   |              |               |
|   | Service Line Replacement- Metro  |                    | 2,670,000            | 1,132,798 |              |               |
|   | Service Line Replacement - North   |                    | 2,670,000            | 543,089   |              |               |
|   | Service Line Replacement - South   |                    | 2,670,000            | 668,844   |              |               |
|   | Service Line Replacement - East  |                    | 2,670,000            | 474,310   |              |               |
|   | Service Line Replacement - West  |                    | 2,670,000            | 641,027   |              |               |
|   | <b>\$ 28,350,000</b>   | <b>\$ 0</b>        | <b>\$ 28,350,000</b> |           | <b>0%</b>    | <b>11.57%</b> |
| 2022<br>BIL<br>EC   | Manganese Control WTP Guajataca, Isabela                                       |                    | \$2,000,000          | 11,623    |              |               |
|   | Manganese Control WTP Cidra Urbano   |                    | 1,500,000            | 30,758    |              |               |
|   | Manganese Control WTP Aibonito La Plata  |                    | 555,000              | 15,973    |              |               |
|   | PFAS Pilot Project WTP Gurabo  |                    | 3,500,000            | 23,533    |              |               |
|   | <b>\$ 7,555,000</b>  | <b>\$ 0</b>        | <b>\$ 7,555,000</b>  |           | <b>0%</b>    | <b>11.38%</b> |

Note: ARRA 2009 funds are not included.

\* Due to the years of federal funds cut-off, hurricanes/earthquakes and debt restructure process/agreement, the construction and development of projects was affected. All projects suffered changes in their construction status. The DWSRF projects under construction were terminated by convenience by PRASA. Others were either funded through other financial mechanisms, constructed with PRASA funds, FEMA funds, Emergency funds. For other projects, PRASA determined that they were not necessary, eliminated or consolidated them. During FY 2020, as a restart to the DWSRF Program project construction financing it was agreed with EPA that a single coordinated revision effort of these three years IUP's could be undertaken. It was necessary due to the time lapse passed and all the significant changes that occurred. This revision could be considered or undertaken in the most recent IUP and as part of its public participation process. To this effect, through the public participation process undertaken for the FY2020 IUP which ended in December 2020, this revision was accomplished. Thus, regarding the loans pending execution corresponding to these three years, a total of five projects were financed with the funds under these IUPs in accordance with the Bipartisan Budget Act and with the restitution of repayment funds by the government of Puerto Rico, and remanent or unused funds resulting from the Debt Restructure Agreement. The projects are: Ponce Nueva WTP, Coto Laurel WTP, Hatillo Raw Water Intake, Añasco Raw Water Intake, and Ponce Vieja WTP. With this financing, DOH continues the restart of the Program with the execution of the loan corresponding to the FY 2018 grant funds signed on September 2, 2022. It must be noted that, as a result of this revision, fund redistribution was necessary among prevailing projects for the corresponding year, such as those to be financed with the FY 2018 funds: Ponce Nueva WTP, Coto Laurel WTP, Hatillo Raw Water Intake, Añasco Raw Water Intake, Ponce Vieja WTP, Cerro Gordo WTP, Cerro Gordo Raw Water Intake, Termination of Toa Vaca WTP, and Termination of Juncos-Valenciano.

\*\* This amount includes \$16,601,522 available to be reassigned due to the fact that, as of date of PRASA's Debt Restructure Agreement, these funds had not been disbursed because the projects did not begin their construction and were not counted as part of the Agreement.

In general, there are small systems that will not have the capacity to enter into a loan, thus, 15% will be limited. Notwithstanding, it is the strategy of the Commonwealth to fund those projects that eliminate or consolidate small systems that do not have the capacity to enter into a loan. Meanwhile, DOH is taking steps to capacitate small systems in order to enable them to have technical, financial and managerial capacity to avail their ability to finance the construction of needed infrastructure, that will warrant and provide compliance. Now, the **BIL** “seeks to ensure disadvantaged communities have access to funds to improve their water infrastructure and to protect public health”. Additionally, “the states are expected to ensure that additional subsidy is provided to these advantaged communities as well as to use set aside funds to attract and assist disadvantaged communities previously unable to complete the SRF funding requirements”. As previously stated, DOH revised its definition of Disadvantaged Community to broaden the scope of communities that can access these funds.

#### **4.0 TYPES OF PROJECTS TO BE FUNDED**

Projects eligible for DWSRF financing under the base regular program funds include investments to upgrade or replace infrastructure, address exceeding federal or state health standards, prevent future violations of standards, and provide the public with safe drinking water. With the Bipartisan Budget Act, 2018 implementation in fiscal year 2022, also resiliency projects may be eligible, particularly if these are related to the lead and copper rule.

Examples of such projects are:

- green infrastructure projects to address water and energy efficiency improvements or other environmentally innovative activities;
- rehabilitation or development of new drinking water sources to replace contaminated supplies;
- installation or upgrading of facilities to improve the quality of drinking water in order to comply with primary or secondary standards and/or treatment/performance criteria;
- installation or upgrading of storage facilities, including finished water reservoirs to prevent microbiological contamination or to provide adequate delivery pressure;
- installation or replacement of transmission and distribution mains to prevent contamination caused by leaks or breaks;
- projects that promote the consolidation of water supply services, particularly in circumstances where generally the water supply is contaminated, or the system is unable to maintain adequate compliance for financial or managerial reasons;
- the purchase of a portion of another system's capacity, if the purchase is part of a consolidation plan to bring the system(s) into compliance;
- refinancing of any of the above listed project types which are publicly owned and were previously financed subsequent to July 1, 1993; and
- any eligible system or part of a system in conformance with the SDWA

With the enactment of the AWIA “possible” eligibilities have emerged:

- lead service line replacement (LSLR) project or associated activity *directly connected* to the identification, planning, design, and replacement of lead service lines to help address a threat to public health from heightened exposure to lead in drinking water or if a Federal or State declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply,
- replacing or rehabilitating aging treatment, storage or distribution facilities of public water systems are DWSRF-eligible.

Now, under the **BIL**, comes a series of eligible projects, some that were already eligible under SDWA, but are being emphasized with funds separately. BIL, assigns to Puerto Rico’s DWSRF program a total of \$53.8 million annually for FY2022 to FY2026 to be used as an investment increase to strengthen the nation’s drinking water systems, for addressing urgent water challenges for all communities especially disadvantaged communities to:

- replace lead service lines
- address emerging contaminants in drinking water, prioritizing PFAS-focused projects. States, however, have the flexibility to fund projects for any contaminant in any of EPA’s Contaminant Candidate Lists.
- supplement the base program for already eligible projects under it

Below are non-exhaustive lists of DWSRF-eligible projects and activities under the **DW BIL-LSLR** and **DW BIL-EC** capitalization grants.

**DW BIL-LSLR Eligible Activities**

- Complete removal of lead service lines (public and privately owned portion) or service lines made of galvanized iron or galvanized steel (that are currently or have previously been downstream of lead components) and replacement with a pipe that meets the requirements established under 40 CFR 143 and which complies with state and local plumbing codes and or building codes. Any project funded under this appropriation involving the replacement of a lead service line, must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source. For purposes of the DW BIL-LSLR funding, a galvanized service line is considered a lead service line if it ever was or is currently downstream of any lead service line or service line of unknown material. Replacement of lead goosenecks, pigtails, and connectors is also eligible for DW BIL-LSLR funding, whether these are stand-alone or connected to a lead service line.
- Removal of lead or galvanized goosenecks, pigtails, and connectors, and replacement with an acceptable material that meets the requirements established

under 40 CFR 143 and which complies with state and local plumbing codes and or building codes.

- Replacement of curb stops, curb stop boxes, and other service line appurtenances that are removed as part of full LSLR.
- Site restoration, including landscaping, sidewalks, driveways, etc. if the removal was necessary to replace the lead service line.
- Permit fees if the fees are normal, required, and specific to the LSLR. It is recommended that communities waive these fees.
- Temporary pitcher filters or point-of-use (POU) devices certified by an American National Standards Institute accredited certifier to reduce lead during or for a short time period after LSLR projects.
- Development or updating of lead service line inventories, including locating and mapping lead service lines.
- Methods of investigation to develop inventories could include visual observation, water quality sampling (non-compliance), excavation, vacuum or hydro-excavation, statistical analysis, or other emerging technologies.
- Planning and design for infrastructure projects listed above.
- Non-routine lead sampling (if not for compliance purposes) as part of a LSLR project

In this IUP, for **DW BIL-LSLR** funds, the following eligible activities will be financed (See **Table 7** for *Project Readiness List DW BIL-LSLR 2022*):

- Development of complete service lines inventory to comply with the USEPA Lead and Copper Rule Revisions (LCRR), including locating and mapping lead service lines
- Field investigations for inspecting the water service line material at locations within PRASA Public Water System using the “Potholing” approach, on both the customer-owned and PRASA-owned service lines, associated with preparation of a water service line material inventory. Perform potholing with these three material identification methods: Scratch Test Procedure, Magnetic Test Procedure, and Swab Test Procedure. Data collected from each site will be entered into an application provided by PRASA.
- Perform desk evaluations with existing historical data that can identify service lines’ materials to incorporate in the inventory
- Development of lead service line replacement plan and schedule
- If service lines are identified to be removed: Complete removal of lead service lines (public and privately owned portion) or service lines made of galvanized iron or galvanized steel (that are currently or have previously been downstream of lead components), and replacement with a pipe that meets the requirements established under 40 CFR 143 and which complies with state and local plumbing codes and or building codes. Also, it includes any replacement of appurtenances that are removed as part of full LSLR.

- Site restoration, including landscaping, sidewalks, driveways, etc. if the removal was necessary to replace the lead service line.

**DW BIL-EC Eligible Activities**

- Emerging contaminants costs associated with the construction of a new treatment facility or upgrade to an existing treatment facility that addresses emerging contaminants.
- Development of a new source (i.e., new/replacement well or intake for a public water system) that addresses an emerging contaminant issue [Note: water rights purchases must still meet the criteria in the Class Deviation for Water Rights].
- Consolidation with another water system that does not have emerging contaminants present or has removal capability.
- Costs for planning and design and associated pre-project costs.
- Infrastructure related to pilot testing for treatment alternatives.
- Creation of a new community water system to address unsafe drinking water provided by individual (i.e., privately-owned) wells or surface water sources.

In this IUP, for **DW BIL-EC** funds, the following eligible activities will be financed (See **Table 8** for *Project Readiness List DW BIL-EC 2022*):

- Water Treatment Plant improvements for manganese control that include chemical dosage to improve oxidation, aeration, pH control, coagulation, flocculation, sedimentation, filters, filter backwash system, instrumentation, and sludge handling, among others.
- PFAS monitoring sampling and treatment incorporation as a pilot project

The Commonwealth will be using DWSRF funds for these activities. Also, are spelled out as eligible in the law, the consolidation or transfer of ownership of a public water system, or other actions resulting pursuant to a mandatory assessment, may receive a loan to carry out such consolidation, transfer, assessments, or other actions, and actual consolidations.

The anticipated outputs and outcomes of the projects included in this Intended Use Plan are:

**Table 6: Outputs and Outcomes**

| <b>Outputs</b>   | <b>Outcomes</b>   |
|--|---|
| Two (2) financial agreements *   | Improve compliance for systems receiving DWSRF assistance                           |
| Increase the cumulative disbursement rate to <b>72%</b>  | Increase the speed at which projects are proceeding towards completion              |
| Increase cumulative projects completion to <b>75%</b>  | Improve compliance with SDWA by increasing number of projects initiating operations |
| * The financial agreements corresponding to fiscal year capitalization grant 2022 DW BIL LSL and 2022 DW BIL EC. |   |



Following are the Project Priority Lists (Readiness) (**Tables 7 and 8**) detailing all types of projects to be funded under this **DW BIL-LSLR/EC** Intended Use Plan. Also, the proposed fund disbursement schedules are presented. Please note that no Multiyear List is included for DW BIL-LSLR, **because future projects for LSLR will depend on the findings of the service line inventory projects in DW BIL-LSLR Readiness List; and for EC, the projects' estimates in DW BIL-EC Readiness List are enough to cover the DW BIL EC funding through the 5-year period. Nonetheless, projects can be added in future IUPs as they are received.**

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**Table 7: Project Priority List- DW BIL -LSLR**

| Puerto Rico Department of Health -Drinking Water State Revolving Fund Program<br>PROJECT READINES LIST FISCAL YEAR DW BIL LSLR 2022<br>FOR FY 2022<br>AUGUST 2023 |          |       |                           |           |              |                           |   |               |                                     |
|---|----------|-------|---------------------------|-----------|--------------|---------------------------|---|---------------|-------------------------------------|
| Name of Public Water System/ PWS I.D.   | Priority |       | Project Description       | Pop.      | Read. date   | Estimated Assistance (\$) | Preliminary Estimated Project Cost (\$) | GPR Amt (\$)* | Disadvant. Community Subsidy** (\$) |
| Lead SL Replacement-South I.D. 3824 (f)   | 1        | 40.90 | Lead SL Replacement-South | 494,645   | 11-23        | \$ 2,670,000              | \$ 2,670,000                            | 0             | \$ 2,670,000                        |
| Lead SL Replacement -West I.D. 2672 (b)   | 2        | 40.70 | Lead SL Replacement-West  | 474,310   | 11-23        | 2,670,000                 | 2,670,000                               | 0             | 2,670,000                           |
| Lead SL Replacement -Metro I.D. 2591 (g)  | 3        | 40.30 | Lead SL Replacement-Metro | 1,132,798 | 11-23        | 2,670,000                 | 2,670,000                               | 0             |                                     |
| Lead SL Replacement -North I.D. 2652 (c)  | 4        | 39.90 | Lead SL Replacement-North | 399,291   | 11-23        | 2,670,000                 | 2,670,000                               | 0             | 2,670,000                           |
| Lead SL Replacement -East I.D. 4545 (d)   | 5        | 36.80 | Lead SL Replacement-East  | 675,532   | 11-23        | 2,670,000                 | 2,670,000                               | 0             |                                     |
| Lead SL Inventory-Metro I.D. 2591 (f)   | 6        | 26.30 | Lead SL Inventory-Metro   | 1,132,799 | 5-23         | 3,000,000                 | 3,000,000                               | 0             |                                     |
| Lead SL Inventory-South I.D. 3824 (e)   | 7        | 24.95 | Lead SL Inventory-South   | 494,646   | 5-23         | 3,000,000                 | 3,000,000                               | 0             | 3,000,000                           |
| Lead SL Inventory-West I.D. 2672 (a)  | 8        | 24.74 | Lead SL Inventory-West    | 474,311   | 5-23         | 3,000,000                 | 3,000,000                               | 0             | 2,881,500                           |
| Lead SL Inventory-North I.D. 2652 (b)   | 9        | 23.99 | Lead SL Inventory-North   | 399,292   | 5-23         | 3,000,000                 | 3,000,000                               | 0             |                                     |
| Lead SL Inventory-East I.D. 4545 (c)  | 10       | 21.76 | Lead SL Inventory-East    | 675,533   | 5-23         | 3,000,000                 | 3,000,000                               | 0             |                                     |
|   |          |       |                           |           | <b>TOTAL</b> | <b>\$28,350,000</b>       | <b>\$28,350,000</b>                     | <b>0</b>      | <b>\$ 13,891,500</b>                |

\* No projects were identified for the use of the Green Projects Reserve of fiscal year **2022**.

\*\* The BIL established an Additional Disadvantage Comm. Subsidy as follows: 49% of the grant funds to be awarded to a system that meet the State's disadvantaged community (DAC) criteria, as additional subsidization in the form of grants or principal forgiveness. DOH will award **49%** or **\$13,891,500** to systems that meet DAC as subsidy with 100% principal forgiveness and 0% interest rate.

**Table 8: Project Priority List- DW BIL -EC**

| Puerto Rico Department of Health -DWSRF Drinking Water State Revolving Fund Program<br>PROJECT READINES LIST FISCAL YEAR DW BIL EC 2022<br>FOR FY 2022<br>AUGUST 2023 |      |          |   |        |              |                           |                                  |               |                                  |
|---|------|----------|---|--------|--------------|---------------------------|----------------------------------|---------------|----------------------------------|
| Name of Public Water System/ PWS I.D.   | Rank | Priority | Project Description                       | Pop.   | Ready date   | Estimated Assistance (\$) | Estimated Project Cost           | GPR Amt (\$)* | Congr. Additional Subsidy** (\$) |
|   |      |          |   |        |              |                           |                                  |               | Dis. Comm. Subsidy               |
| WTP Gurabo, Gurabo-PFAS Pilot I.D. 5096   | 1    | 50.00    | Gurabo WTP- PFAS Pilot                    | 23,533 | 5-24         | 3,500,000                 | 14,500,000                       | 0             | 3,500,000                        |
| WTP Guajataca, Isabela-Manganese I.D. 3772  | 2    | 35.46    | Guajataca WTP- Manganese Control          | 11,623 | 11-23        | 2,000,000                 | 15,000,000                       | 0             | 2,000,000                        |
| WTP Cidra Urbano, Cidra - Manganese I.D. 4695   | 3    | 30.31    | Cidra Urbano WTP - Manganese Control      | 30,758 | 3-24         | 1,500,000                 | 5,000,000                        | 0             | 1,500,000                        |
| WTP Aibonito La Plata - Manganese I.D. 4545b  | 4    | 30.16    | Aibonito La Plata WTP - Manganese Control | 15,973 | 4-24         | 555,000                   | 5,000,000                        | 0             | 555,000                          |
|   |      |          |   |        | <b>TOTAL</b> | <b>\$ 7,555,000</b>       | <b>\$ 39,500,000<sup>v</sup></b> | <b>\$0</b>    | <b>\$5,000,000 (66.2%)</b>       |
|   |      |          |   |        |              |                           |                                  |               | <b>\$2,555,000 (33.8%)</b>       |

\* No projects were identified for the use of the Green Projects Reserve of fiscal year **2022**.

<sup>v</sup> Of this amount, **\$7,555,000** is the only amount available for financing for FY **2022**.

\*\* The BIL established an Additional Subsidy as follows: not less than 100% of the grant funds, net set asides taken, -to be awarded to DWSRF eligible recipients as additional subsidization in the form of grants or principal forgiveness. EPA states that per SDWA, States must direct at least 25% of these funds to water systems that meet the State’s disadvantaged community (DAC) criteria or to public water systems serving fewer than 25,000 persons. DOH will award **33.8%** or **\$2,555,000** for systems that meet DAC criteria, and the rest of **66.2%** or **\$5,000,000** to eligible recipients as 100% principal forgiveness and 0% interest rate, for both subsidies.

**EXHIBIT "C"**

**PUERTO RICO AQUEDUCT & SEWER AUTHORITY  
2022 DW BIL-LSLR FUNDS DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS**

**SERVICE LINE INVENTORY- METRO  
PWS ID 2591 (f)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 3,000,000 | 30                | 1.0%         | 10-25      | L    | 1                      | 2-23         | 6-23          | 10-24            | 10-24                   |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2023           | FY 2024           |                   |                   |                   | Total               |
|                      | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             |                     |
| Fed. 100%            | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 3,000,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 3,000,000</b> |

**SERVICE LINE INVENTORY- NORTH  
PWS ID 2652 (b)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 3,000,000 | 30                | 1.0%         | 10-25      | L    | 1                      | 2-23         | 6-23          | 10-24            | 10-24                   |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2023           | FY 2024           |                   |                   |                   | Total               |
|                      | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             |                     |
| Fed. 100%            | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 3,000,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 3,000,000</b> |

**SERVICE LINE INVENTORY- SOUTH  
PWS ID 3824 (e)**

**DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source              | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Subsidy (F) | \$ 3,000,000 | N/A               | 0%           | N/A        | S    | 1                      | 2-23         | 6-23          | 10-24            | 10-24                   |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion                    | FY 2023           | FY 2024           |                   |                   |                   | Total               |
|   | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             |                     |
| Fed. 100%                               | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 3,000,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                            | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 3,000,000</b> |

**SERVICE LINE INVENTORY- EAST  
PWS ID 4545 (c)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 3,000,000 | 30                | 1.0%         | 10-25      | L    | 1                      | 2-23         | 6-23          | 10-24            | 10-24                   |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2023           | FY 2024           |                   |                   |                   | Total               |
|                      | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             |                     |
| Fed. 100%            | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 3,000,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 3,000,000</b> |

**SERVICE LINE INVENTORY- WEST  
PWS ID 2672 (a)**

**DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source              | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Subsidy (F) | \$ 3,000,000 | N/A               | 0%           | N/A        | S    | 1                      | 2-23         | 6-23          | 10-24            | 10-24                   |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion                    | FY 2023           | FY 2024           |                   |                   |                   | Total               |
|   | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             |                     |
| Fed. 100%                               | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 600,000        | \$ 3,000,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                            | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 600,000</b> | <b>\$ 3,000,000</b> |



**SERVICE LINE REPLACEMENT- METRO  
PWS ID 2591 (g)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 2,670,000 | 30                | 1.0%         | 1-26       | L    | 2 + 3                  | 10-23        | 1-24          | 1-25             | 1-25                    |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2024           |                   | FY 2025           |                   |                   | Total               |
|                      | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             | 3 QTR             |                     |
| Fed. 100%            | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 2,670,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 2,670,000</b> |

**SERVICE LINE REPLACEMENT- NORTH  
PWS ID 2652 (c)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 2,670,000 | 30                | 1.0%         | 1-26       | L    | 2 + 3                  | 10-23        | 1-24          | 1-25             | 1-25                    |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2024           |                   | FY 2025           |                   |                   | Total               |
|                      | 3 QTR             | 4 QTR             | 1 QTR             | 2QTR              | 3 QTR             |                     |
| Fed. 100%            | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 2,670,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 2,670,000</b> |

**SERVICE LINE REPLACEMENT- SOUTH  
PWS ID 3824 (f)**

**DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source              | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Subsidy (F) | \$ 2,670,000 | N/A               | 0%           | N/A        | S    | 2 + 3                  | 10-23        | 1-24          | 1-25             | 1-25                    |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion                    | FY 2024           |                   | FY 2025           |                   |                   | Total               |
|   | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             | 3 QTR             |                     |
| Fed. 100%                               | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 2,670,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                            | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 2,670,000</b> |

**SERVICE LINE REPLACEMENT- EAST  
PWS ID 4545 (d)**

**LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source   | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|----------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F) | \$ 2,670,000 | 30                | 1.0%         | 1-26       | L    | 2 + 3                  | 10-23        | 1-24          | 1-25             | 1-25                    |

| Loan portion         |                   |                   |                   |                   |                   |                     |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion | FY 2024           |                   | FY 2025           |                   |                   | Total               |
|                      | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             | 3 QTR             |                     |
| Fed. 100%            | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 2,670,000        |
| State 0%             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>         | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 2,670,000</b> |

**SERVICE LINE REPLACEMENT- WEST  
PWS ID 2672 (b)**

**DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source              | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Subsidy (F) | \$ 2,670,000 | N/A               | 0%           | N/A        | S    | 2 + 3                  | 10-23        | 1-24          | 1-25             | 1-25                    |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion                    | FY 2024           |                   | FY 2025           |                   |                   | Total               |
|   | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             | 3 QTR             |                     |
| Fed. 100%                               | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 534,000        | \$ 2,670,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                            | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 534,000</b> | <b>\$ 2,670,000</b> |

EXHIBIT "C"

AIBONITO LA PLATA WTP-MANGANESE CONTROL  
PWS ID 4545 (b)

DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS

| Source                    | Cost       | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------------|------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Comm. Subsidy (F) | \$ 555,000 | N/A               | 0%           | N/A        | S    | 2+3                    | 11-23        | 10-24         | 6-27             | 9-27                    |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash Draw Proportion                    | FY 2025           |                   |                   |                   | FY 2026           | Total             |
|   | 1 QTR             | 2 QTR             | 3 QTR             | 4 QTR             | 1 QTR             |                   |
| Fed. 100%                               | \$ 111,000        | \$ 111,000        | \$ 111,000        | \$ 111,000        | \$ 111,000        | \$ 555,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              |
| <b>Total</b>                            | <b>\$ 111,000</b> | <b>\$ 111,000</b> | <b>\$ 111,000</b> | <b>\$ 111,000</b> | <b>\$ 111,000</b> | <b>\$ 555,000</b> |

**CIDRA URBANO WTP-MANGANESE CONTROL  
PWS ID 4695**

**CONGRESSIONAL ADDITIONAL SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source                | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|-----------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Congress. Subsidy (F) | \$ 1,500,000 | N/A               | 0%           | N/A        | S    | 2+3                    | 10-23        | 9-24          | 6-27             | 8-27                    |

| Congressional Additional Subsidy portion |            |            |            |            |            |            |              |
|--|------------|------------|------------|------------|------------|------------|--------------|
| Cash Draw Proportion                     | FY 2025    |            |            |            | FY 2026    |            | Total        |
|  | 1 QTR      | 2 QTR      | 3 QTR      | 4 QTR      | 1 QTR      | 2 QTR      |              |
| Fed. 100%                                | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 1,500,000 |
| State 0%                                 | \$ 0       | \$ 0       | \$ 0       | \$ 0       | \$ 0       | \$ 0       | \$ 0         |
| Total                                    | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 1,500,000 |

**GUAJATACA WTP-MANGANESE CONTROL  
PWS ID 3772**

**DISADVANTAGED COMM. SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source                    | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Comm. Subsidy (F) | \$ 2,000,000 | N/A               | 0%           | N/A        | S    | 2+3                    | 10-23        | 10-24         | 6-27             | 8-27                    |

| Disadvantaged Community Subsidy portion |                   |                   |                   |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion                    | FY 2025           | FY 2026           |                   |                   |                   | FY 2027           |                   | Total               |
|   | 4 QTR             | 1 QTR             | 2 QTR             | 3QTR              | 4 QTR             | 1 QTR             | 2 QTR             |                     |
| Fed. 100%                               | \$ 285,714        | \$ 285,714        | \$ 285,714        | \$ 285,714        | \$ 285,714        | \$ 285,714        | \$ 285,716        | \$ 2,000,000        |
| State 0%                                | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                            | <b>\$ 285,714</b> | <b>\$ 285,714</b> | <b>\$ 285,714</b> | <b>\$ 285,714</b> | <b>\$ 285,714</b> | <b>\$ 285,714</b> | <b>\$ 285,716</b> | <b>\$ 2,000,000</b> |



**GURABO WTP-PFAS PILOT  
PWS ID 5096**

**CONGRESSIONAL SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL FUNDS**

| Source                | Cost         | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|-----------------------|--------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Congress. Subsidy (F) | \$ 3,500,000 | N/A               | 0%           | N/A        | S    | 2+3                    | 10-23        | 11-24         | 7-27             | 9-27                    |

| Congressional Subsidy portion |                  |                   |                   |                   |                   |                   |                   |                   |                   |                     |
|-------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Cash Draw Proportion          | FY 2025          |                   |                   | FY 2026           |                   |                   |                   | FY 2027           |                   | Total               |
|                               | 2 QTR            | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             | 3 QTR             | 4 QTR             | 1 QTR             | 2 QTR             |                     |
| Fed. 100%                     | \$388,889        | \$ 388,889        | \$ 388,889        | \$ 388,889        | \$ 388,889        | \$ 388,889        | \$ 388,889        | \$ 388,889        | \$ 388,888        | \$ 3,500,000        |
| State 0%                      | \$ 0             | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0              | \$ 0                |
| <b>Total</b>                  | <b>\$388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,889</b> | <b>\$ 388,888</b> | <b>\$ 3,500,000</b> |

## **5.0 FINANCIAL PLANNING PROCESS**

Projects can be submitted for listing at any time. A new IUP will be issued at least once a year and may be amended during the period that the IUP is in effect, providing that sufficient funds are available. Projects submitted for financing will be screened for eligibility, ranked, scored and listed. All eligible projects for which pre-application forms have been submitted and reviewed will be included on the Robust Priority List. Projects ready for financing will be listed on the project Readiness List. Direct loans will be originated throughout the year. Concerning the grant payments schedule, it will be discussed/agreed with EPA.

Section 1452 (e) and (g)(2) provides for the establishment of program administrative fees which may be assessed on a recipient of a loan, and these must be deposited into the Fund or into an account outside the Fund. DOH may determine to establish this fee. DOH may be requesting PRIFA to establish it and may be requesting to the Puerto Rico Finance Advisory Authority and Fiscal Agency (PRFAAFA) to assess PRASA's financial capacity to pay it. In addition, should it be determined to be established, this Department will be requesting that such fee shall be deposited into an account outside the Fund for its use, only for the purposes for which the capitalization grant is awarded under Section 1452 (e) of the SDWA or for state match. Thus, should it be DOH's determination to such establishment, then, in addition to the payments required on the Financial Agreement, PRASA shall pay an administration fee payable at the closing date of the Agreement.

## **6.0 TYPES OF ASSISTANCE AND FINANCIAL TERMS**

The terms and conditions of the loans to be awarded are as authorized by the SDWA and its amendments. As of October 21, 2018, the America's Water Infrastructure Act (AWIA) §2015(d) - Types of Assistance, incorporated changes regarding financial terms to the SDWA§1452(f)(1).

In summary, this section "extends the maximum-authorized DWSRF loan amortization period up to 30 years for any DWSRF-eligible recipient or up to 40 years for state-defined disadvantaged communities, or design life, whichever is shorter. Before AWIA, the maximum amortization period was 20 or 30 years, respectively. This section also extends the authorized loan repayment initiation up to 18 months after project completion, an increase from the AWIA pre-authorization of 12 months." It is important to point out that notwithstanding this term, when evaluating each project case, DOH will determine the financing term according to the design life/useful life of the infrastructure of the project and/or an average of the design/useful life of the project's components.

Capitalization Grants will be used to provide the following types of financial assistance:

### **6.1 Direct Loans**

Based on an economic and financial analysis conducted on behalf of DOH by Puerto Rico Infrastructure Financing Authority (PRIFA), in coordination with

PRFAFAA, loan agreements will be executed with PRASA, or any other qualified borrower, at a negotiated interest rate. Up to date, the loan interest rate has been from 1% up to 2% and the financing term has been 20 years. However, as stated above, the AWIA provides for a change in the financing term to 30 years and in the case of the disadvantaged communities, to 40 years and/or design life of the project's components. Since PRASA requested restructuring of its DWSRF debt and an agreement was reached on July 26, 2019, this percent may change, as well as the financing term of any debt restructure agreement that is signed. These may vary as a result of a financial analysis to be undertaken. Also, the use of the Hardship Loans/Affordability Criteria for Disadvantaged Systems may be applicable.

For years, in compliance with the law, DOH has executed the binding commitment (Financial Agreement)<sup>1</sup> on/or before the deadline established by the law, which is one year after the grant award. It is necessary to clarify that, due to the debt restructure process, loans pending execution were not processed because EPA did not authorize their execution during the cut-off. After PRASA's debt restructure agreement was reached, this Department initiated the revision of existing loans. One was executed for the funds corresponding to fiscal years 2015, 2016 and 2017, and a second loan corresponding to the FY 2018 funds. Regarding the loans for the FY 2019 through 2021 funds, DOH prepared a combined loan document including these three years' funds. The final loan document was submitted to PRIFA for its execution **and was executed on June 12, 2023.**

## **6.2 Refinancing**

In accordance with Section 1452 (f)(2) of the SDWA, local debt obligations may be purchased or refinanced at or below market rates, where the initial debt was incurred, and construction initiated after July 1, 1993.

## **6.3 Hardship Loans/Affordability Criteria for Disadvantaged Systems**

The Commonwealth may determine if hardship loans will be made available to borrowers and the rate at which (below the regular reduced rate) these will be executed. Affordability criteria (refer to **Section 8** of this IUP) will help to determine the hardship loan rate, which may be as low as zero percent. Currently, a hardship loan determination may be applied. In the debt restructure process, the hardship loan determination was not used. Nevertheless, due to the change resulting from the AWIA, a small, disadvantaged community loan may be

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<sup>1</sup> Reference is made to a Financial Agreement when the agreement includes a loan portion and a subsidized portion.

established in conformity with the requirements and applicable federal regulations, as long as, or to the extent that, there are sufficient applications for loans to communities described.

Terms governing principal amortization may be the same as those applicable to direct loans, where the interest rate may be reduced. Any interest payable on hardship loans will be set or determined by the DOH, in coordination with the Puerto Rico Infrastructure Financing Authority (PRIFA) and PRFAFAA and may be between two-thirds of the market rate, as determined by the most recent DWSRF financing, and zero percent (0%). The actual rate may be determined based on the affordability criteria and applicable laws. For certain borrowers that qualify for a zero percent hardship loan, there may be a service charge. As stated before, this will be set or determined by the DOH in coordination with PRIFA and PRFAFAA.

#### **6.4 Additional Subsidization**

Since FY2010 funds, under the Regular Base Program funds, the Congress has established the provision to use a portion of the capitalization grant to provide an additional subsidization (mandatory congressional subsidy) to eligible recipients, in the form of forgiveness of principal, negative interest loans or grants, or any combination of these. DOH has awarded this additional subsidy since 2010 within the ranges established by each of those years, according to project selection process described in **Section 8.2.3** of this IUP.

Subsequently, during FY 2018, under the Bipartisan Budget Act of 2018, a disaster declaration related to the Irma and María hurricanes was made, allowing to provide additional subsidization to eligible recipients. DOH determined to award the remaining undisbursed federal funds from FY2012 through 2017 and part of 2018, as subsidy with full principal forgiveness and 0% interest rate.

Now, **under the BIL**, this additional subsidization is to be provided to water systems that meet the State's disadvantaged community criteria (DAC) as described in section 1452(d) of the SDWA, as amended by this act, and in **Section 8.2** of this IUP.

These mandatory congressional additional subsidies are distributed according to Project Priority System Criteria Methodology (**See Attachment III**) and described in further detail in **Section 8.2.4** of this IUP.

## **6.5 Leveraging**

The Commonwealth of Puerto Rico may consider leveraging in order to increase the amount of funds available to finance infrastructure projects. If leveraging is undertaken, it will be indicated in the IUP and the applicable grant application and will be structured in accordance with the requirement of the Act and the DWSRF final guidelines.

## **6.6 Repayments**

Up to date, all repayments received from previous loan agreements, along with their earned interests, have been included in financial agreements corresponding to Regular Base DWSRF funds, including the \$16,601,522 that were left out to be available as a result of PRASA's Debt Restructure Agreement signed on July 26, 2019. Also, after the Debt Restructure, PRASA, the sole loanee to date, has been complying with repayments as established in the Debt Restructure Agreement. Disbursements from previous financial agreements corresponding to Regular Base DWSRF funds have also been executed from the Repayment Account, in a continuous manner, as projects progress. For this IUP, there are no repayment moneys to be awarded in a financial agreement.

## **6.7 Other Authorized Activities and Clean, Safe, Reliable Water Infrastructure**

Under the AWIA §2015(f) and AWIA §2002, as amended, the law authorizes certain activities that were eligible when the Program was created. Now the SDWA §1452(k): allows states to fund delineation and assessment of source water protection areas, and to update existing source water protection assessments, using the 15% Local Assistance and Other State Programs set-aside. That authorization had previously expired with the 1997 capitalization grant funding. Further, states may use this set-aside to fund activities to implement source water protection more generally. Under this BIL funding FY2022, DOH will not establish set asides for these activities.

## **7.0 SET-ASIDE ACTIVITIES**

Section 1452 of the SDWA authorizes states to use a portion (set-asides) of the federal Capitalization Grant to support various drinking water programs. Section 1452 allows as much as 31% of a State's Federal Capitalization Grant to be used for administrative assistance, technical assistance, public water supply supervision and special activities.

During this fiscal year 2022 for the **DW BIL-LSLR** and **DW BIL-EC** funds, DOH will be banking the 2% available for the Technical Assistance set-aside, the 10% available for the State Program Management set-aside, and the 4% available for Administration set-aside (Refer to detailed amounts in **Table 4: Sources of Funds-** of **Section 3.0** of this IUP). This Department reserves the right to take from future capitalization grants, amounts not claimed at this time under each corresponding set-aside. **Nonetheless, set-asides were established in the FY2022 Base and BIL Supplemental capitalization grants to be used for activities related to LSLR and Emerging Contaminants, and personnel under the regular DWSRF Program will be used to undertake and manage these two grants paid by the Administration set asides in the above-mentioned FY2022 Base and BIL Supplemental set-asides. The Base and BIL Supplemental grants, in accordance with the BIL can provide funds to undertake the Administrative actions. PRDOH has determined to allocate all funds for projects due to the importance of the grants in regard to public health.**

### **7.1 Small Water Systems (Non-PRASA)**

Since no set asides were established for this IUP, no activities are included for small systems. Nonetheless, under DW BIL-EC, three water systems with less than 25,000 people served are receiving assistance with a subsidy of 100% principal forgiveness and 0% interest rate. The projects are: *La Plata WTP- Manganese Control and Guajataca WTP- Manganese Control.*

### **7.2 State Program Management**

The SDWA authorizes states to take up to 10% of the total annual Capitalization Grant to support State Program Management activities, including implementation of an Operator Certification Program and a Capacity Development Strategy. By law, a 10% of the Capitalization grant is available for the State Program Management set-aside.

For this **2022** DW BIL-LSLR and 2022 DW BIL-EC, the maximum of 10% or \$1,000,000 and \$755,500, respectively, available from the State Program Management set aside will be banked also for this current fiscal year. Thus, this Department reserves the authority to take from future capitalization grant funds not requested at this time.

#### **7.2.1 Operator Certification Program**

Under this BIL-LSLR and EC funding FY2022, DOH will not establish set asides for these activities, but any activity under this **Section 7.2.1** of this IUP will be under the set asides established for the DWSRF Regular Base and BIL Supplemental allotments.

### **7.2.2 Capacity Development Program**

Under this BIL-LSLR and EC funding FY2022, DOH will not establish set asides for these activities, but any activity under this **Section 7.2.2** of this IUP will be under the set asides established for the DWSRF Regular Base and BIL Supplemental allotments.

### **7.3 Special Activities Local Assistance and Other State Program Up to 15% No More Than 10% Activity**

Section 1452(k) of the SDWA authorizes states to take up to 15% of the annual Capitalization Grant to assist in the development and implementation of local drinking water protection initiatives by providing assistance in the form of loans for land acquisition and source water petitions projects. No more than 10% of the Capitalization Grant can be allotted to any one of these special activities.

The Commonwealth is not proposing to take or use any of the allotted set-aside funds from the FY 2022 DWSRF BIL-LSLR and BIL-EC Capitalization Grant for the following programs.

#### **7.3.1 Land Acquisition**

Funds in the DWSRF can be used to purchase land integral to the construction of facilities, but not for other purposes such as watershed protection. A separate 10% set-aside could be used to establish a separate low-interest loan fund for land acquisition, particularly for watershed protection. The Commonwealth is not proposing to create such a loan fund currently. There may be other existing programs that may be used to purchase sensitive watershed lands.

DOH will not be establishing this set-aside for this IUP.

#### **7.3.2 Capacity Strategy**

Last year, our Capacity Development Strategy was revised to incorporate the promotion of asset management in drinking water systems. The approval of the strategy was received in March 2023.

DOH will not be establishing this set-aside for this IUP.

### **7.3.3 Source Water Petitions**

As part of the State's Source Water Assessment and Delineation Program, the Commonwealth will assess variety of options for improving source water protection throughout the Commonwealth. The source water petition program outline in the SDWA is one such option. It would be premature to develop a loan program to fund source water petition partnerships before this assessment is completed and released to the public.

DOH will not be establishing this set-aside for this IUP.

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**Table 9: Set Asides available and established\*\* \*\*\* ∞ for FY2022 DW BIL-LSLR and DW BIL-EC**

| SET-ASIDES  | SDWA       | FFY 2022<br>DW BIL-LSLR<br>MAXIMUM<br>ALLOCATION | FFY 2022<br>DW BIL-EC<br>MAXIMUM<br>ALLOCATION | Common-<br>wealth of<br>Puerto Rico | FFY<br>2022<br>BIL-LSLR* | FFY<br>2022<br>BIL-EC* |
|---|------------|--|--|-------------------------------------|--------------------------|------------------------|
| <b>Administration**</b>   | <b>4%</b>  | <b>\$1,134,000</b>                               | <b>\$302,200</b>                               | <b>0%</b>                           | <b>\$ 0</b>              | <b>\$ 0</b>            |
| <b>DOH &amp; PRIFA</b>  |            |  |  |                                     |                          |                        |
| <b>Technical Assistance ***</b>   | <b>2%</b>  | <b>567,000</b>                                   | <b>151,100</b>                                 | <b>0%</b>                           | <b>0</b>                 | <b>0</b>               |
| <b>Management Programs ∞<br/>(No Dollar to Dollar Match requirement)†</b>   | <b>10%</b> | <b>2,835,000</b>                                 | <b>755,000</b>                                 | <b>0%</b>                           | <b>0</b>                 | <b>0</b>               |
| <b>Capacity Development</b>   | 0%         | 0  | 0  | 0%                                  | 0                        | 0                      |
| <b>Operator Certification</b>   | 0%         | 0  | 0  | 0%                                  | 0                        | 0                      |
| <b>Special Activity Set-Asides (No banking allowed. ≤10%<br/>for any individual component under this set-aside)</b> | <b>15%</b> | <b>4,252,500</b>                                 | <b>1,133,250</b>                               | <b>0%</b>                           | <b>0</b>                 | <b>0</b>               |
| <b>Land Acquisition</b>   | (10%)      | (2,835,000)                                      | (755,000)                                      | (0%)                                | 0                        | 0                      |
| <b>Capacity Strategy</b>  | (10%)      | (2,835,000)                                      | (755,000)                                      | (0%)                                | 0                        | 0                      |
| <b>SW Petition Programs</b>   | (10%)      | (2,835,000)                                      | (755,000)                                      | (0%)                                | 0                        | 0                      |
| <b>Total Set Asides Established</b>   | <b>31%</b> | <b>\$8,788,500</b>                               | <b>\$2,342,050</b>                             | <b>0 %</b>                          | <b>\$ 0</b>              | <b>\$ 0</b>            |

\* Based on a DW BIL-EC appropriation of \$7,555,000 and DW BIL-LSLR appropriation of \$28,350,000

\*\* DOH will be banking the Administrative set-aside 4% or \$1,134,000 and \$302,200 corresponding to FY 2022 DW BIL-LSLR and DW BIL-EC, respectively. DOH reserves the right to take from future DW BIL-LSLR and DW BIL-EC capitalization grant funds not requested at this time under this set-aside.

\*\*\* DOH will be banking 2% or \$567,000 and \$151,100 of the Technical Assistance set aside from the 2022 DW BIL-LSLR and DW BIL-EC capitalization grants, respectively. DOH reserves the right to take from future capitalization grants funds not requested at this time under this set-aside.

∞ DOH will be banking 10% of the State Program Management set aside in the amount of \$2,835,000 and \$755,000 from the 2022 DOH reserves the right to take from future capitalization grants funds not requested at this time.

† It is important to emphasize that since fiscal year 2017, match for the State Program Management set aside was eliminated for capitalization grants awarded after the WIIN Act's passage (December 6, 2016).

## 8.0 DISADVANTAGED COMMUNITY PROGRAM

### 8.1 Definition of Disadvantaged Community

As per the definition established by the SDWA section 1452(d)(3) “a disadvantaged community means the service area of a public water system that meets affordability criteria established after Public Review and comment by the State in which the public water system is located”. **This Department has revised its definition of a disadvantaged community in order to even broaden the scope of systems that can participate of the funds under this program, and as such is defined and presented in this IUP.** DOH will consider a disadvantaged system those systems serving 25, or more, persons, or 15, or more, connections for more than 60 consecutive days, may, or may not, be connected to a PRASA system, whether or not, in the next 5 years, may, or may not, be considered isolated due to their topographic condition, and meets the affordability criteria using the Median Household Income (MHI) of the area served by the system.

#### Disadvantaged Community Subsidies

Projects from public water systems serving communities that meet the affordability criteria, or to a community that the State expects to become a disadvantaged community as the result of a proposed project, are eligible to apply for subsidized financial assistance, also known as Hardship (Refer to **Section 8.2**).

It is important to mention that, under the Regular Base Program there are two types of “additional subsidy”. One is provided under the Disadvantaged Community Additional Subsidy Authority and the other is the “Congressional”. The DWSRF program had established a definition of Disadvantaged Community since the inception of the DWSRF, but the corresponding percentage was not established or determined for its use, as described further on.

In the Commonwealth, drinking water projects will be reviewed to determine funding eligibility and scored, based on an established priority ranking system. Communities whose water projects are ranked high enough will be evaluated for hardship based upon a comparison of projected and programmed service charges (total debt service plus operation and maintenance costs) for a typical household, expressed as percentage of Median Household Income Levels (MHIL) for the service area. The DWSRF may provide additional financial assistance to water systems serving communities experiencing economic hardship. Additional financial assistance will be provided by first reducing the interest rate, as necessary, to lower the projected service charge to the Proposed Service Charge (PSC). Other financial mechanisms such as principal forgiveness or forty (40) years loan terms (or design life, whichever is lesser), may be available to provide

increased financial benefits. Throughout the years, and even though up to 30% of the Capitalization Grant could be used for loan subsidies, the Commonwealth did not use this mechanism, because this Department, as administrators of the DWSRF, wanted to preserve as much DWSRF capitalization as possible, to meet the strong demand for financial assistance throughout the Commonwealth. Additionally, there were no disadvantaged community applications received. Nevertheless, recognizing the need to assist more systems, particularly after the hit of the last two hurricanes, it was established since fiscal year 2018 through FY2020, even though no applications have been received. For FY2021 and 2022 it was established, and projects received. Now, **under BIL**, this benefit for disadvantaged communities has increased, as discussed further below.

Projects, which qualify for financial hardship assistance, will be provided with written confirmation letters and in future IUP periods placed on the Multi-Year priority list as Hardship Loans. Written hardship confirmation will be limited to projects that have a total numerical score greater than (or equal to) the project with the lowest score (excluding bonus points) eligible to be funded from the current multi-year list. Hardship projects with this score or higher will be selected from the Multi-Year List. Written qualification for financial hardship assistance will remain valid for two consecutive annual federal funding cycles. If a project has not been selected for funding during this period, it will be removed from the fundable portion or readiness list identified as Hardship (and re-listed on the Multi-Year List) unless it is re-qualified as a Hardship Loan project.

Confirmation that a project qualifies for hardship assistance will help facilitate funding coordination with other agencies such as Rural Development, and Housing and Urban Development (HUD). Coordination of joint funding of projects will be done on a project by project-basis.

EPA's memorandum of March 25, 2019, of AWIA 2018 indicated "that through the AWIA 2018 state DWSRF's managers should take particular note of AWIA's changes to the SDWA that authorize extended infrastructure loan terms, require the provision of additional subsidy to state-defined disadvantaged communities, and expand source water protection-related eligibilities under the Local Assistance set-aside. These provisions will provide critical support to low-income communities and promote preventative activities to protect the water supply."

Also, AWIA amended the SDWA requirements under the Disadvantaged Community Additional Subsidy authority to use a percent of the capitalization grant for additional subsidy for State-defined disadvantage communities from 6 to 35 percent amount (previously, 0 to 30, and later amended 12 to 35 by the BIL), to the extent there are sufficient applications for loans. Subsidies must be in the form of a loan (e.g., loans which include principal forgiveness, negative interest

rate loans {40 CFR §35.3525(b)(1)}, but provision did not authorize grants. Further, fees included as principal in a loan cannot be assessed on a disadvantaged community receiving additional subsidy. Moreover, the AWIA amended SDWA §1452(f) increasing the loan term for disadvantage communities from 30 years to 40 years. However, the loan term should not exceed the expected design/useful life of the projects.

**Now**, for the Regular Base Program funds, it is important to note that with the P.L. 117-103, Consolidated 2022 and the **BIL**, the SDWA was again amended, establishing a minimum twelve (12) percent as additional subsidization floor, to the extent there are sufficient applications for loans, and the ceiling remains as thirty (35) percent. Also, the P.L. 117-103, Consolidated 2022 and the BIL requires that the additional subsidization must be awarded in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and loan repayment initiation of up to eighteen months (previously, 12) after the project completion.

Nonetheless, as mentioned before, for the funds for this 2022 DW BIL-LSLR and DW BIL-EC, in accordance with the BIL, this Department will provide additional subsidies as mentioned in **Sections 1.1** and **6.4** of this IUP.

## **8.2 Affordability (Hardship/Disadvantage System) Criteria**

The purpose of the affordability criteria is to determine which public water systems are eligible for financial assistance beyond the ordinary benefits available through the DWSRF. The additional benefits will assist economically disadvantaged water systems in the construction of eligible drinking water projects. Currently, a hardship loan determination may be applied and may be dependent upon the debt restructure terms approval, particularly to PRASA. We must indicate that the debt restructure agreement that was executed on July 26, 2019, did not use this benefit.

### **8.2.1 Affordability Criteria**

This Criterion is designed to assist systems most is needed on a household basis. The points awarded for this Category are documented by the latest census information. For those systems, identified as disadvantaged, priority points will be awarded based on the Median Household Income Levels (MHIL) (See **Attachment IV**).

### **8.2.2 Hardship Financial Assistance Criteria**

Projects must meet the definition of hardship under this criterion. The determination will be made using the *Systems Criteria and Ranking Methodology (Attachment III)* and as follows:

- Projects may not be segmented in order to qualify for hardship assistance.
- Refinancing is eligible through the regular subsidized DWSRF program if qualified or eligible as required and stated in the DWSRF. However, hardship financial assistance is only available for new drinking water projects for which the notice for construction to proceed was given on or after July 1, 1993.
- The applicant for a DWSRF hardship loan must demonstrate that it can repay its debt obligation, has a satisfactory O&M procedure and can comply with DOH/DWSRF Capacity Development Program.
- Projects that are determined eligible for hardship assistance will receive a written confirmation of eligibility.
- Confirmation of funding availability will be valid for two consecutive annual federal funding cycles, provided that the projected service charge does not change significantly.
- Confirmation of funding availability may be withdrawn if: the applicant fails to demonstrate satisfactory progress towards project implementation; the information on which the determination was made changes prior to loan closing; or the applicant fails to demonstrate that it can repay the loan.
- Median Household Income Levels based on the latest Census data, which for this fiscal year assignment of points is as follows:

| <b><u>Median Household Income (MHIL)</u></b> | <b><u>Points</u></b> |
|--|----------------------|
| less than \$9,813                            | 30                   |
| between \$9,813 and \$14,719                 | 15                   |
| between \$14,720 and \$19,626                | 5                    |
| above \$19,626                               | 0                    |

### **8.2.3 Projects Likely to Receive Additional Assistance Payments (Hardship List)**

Systems with projects eligible for funding in this IUP will be required to submit the financial information listed above, as well as any additional information requested by DOH. Hardship determinations will be made as project information becomes available. Eligible systems/projects must meet hardship criterion.

For the application of this criterion, DOH will proceed as follows:

- The initial range will be established as follows:
  - **For DW BIL-LSLR, it is exactly 49% or \$13,891,500** for this fiscal year.
  - **For DW BIL-EC, not less than 25% or \$1,888,750 up to 100%, net of set asides taken, or \$7,555,000.**
- The funds will be distributed among the projects that satisfies the hardship criteria. Funds will be distributed starting with the project with the highest priority and until funds or the corresponding percent is totally assigned.
- The priority points under this criterion will be those awarded based on the Median Household Income (MHIL) (i.e.: 30, 15, 5, 0 points awarded) to the qualifying projects.
- Additional points will be awarded to the project based on population and added to the points obtained based on the MHIL:
  - one (1) point will be added to the priority obtained by project with the lowest population; and
  - subsequently, the number will increase by one (1) point and added to the project as they increase in population.

It must be noted that the subsidies may be in the form of forgiveness of principal, grants, negative interest loans, other loan forgiveness, and through buying, refinancing, or restructuring debt.

Following are the lists of projects that are qualified to receive FY 2022 DW BIL-LSLR and DW BIL-EC disadvantage community subsidy, based on DOH's determination of hardship loan subsidies:

**Table 10: Hardship List DW BIL-LSLR**

| DETERMINATION OF HARDSHIP LOAN SUBSIDIES TO PROJECTS- DW BIL Lead Service Line Replacement (LSLR) |             |   |   |         |   |                                    |                       |      |   |
|---|-------------|---|---|---------|---|------------------------------------|-----------------------|------|---|
| PROJECTS  | Ready to go | Assistance cost (based on Readiness List) | MHI Affordability (2017-2021 US Census) | Pop.    | RANKING POINTS according to:                      |                                    | TOTAL PRIORITY POINTS | Rank | Disadvantage Community Subsidy <sup>@</sup> |
|   |             |   |   |         | Affordability Related to Disadvantaged Community* | Additional Points Based On Pop. ** |                       |      |   |
| Lead SL Replacement -West I.D. 2672 (b)   | 11-23       | \$2,670,000                               | \$ 17,746                               | 474,310 | 5   | 6                                  | 11                    | 1    | \$ 2,670,000                                |
| Lead SL Replacement-South I.D. 3824 (f)   | 11-23       | 2,670,000                                 | \$ 18,216                               | 494,645 | 5   | 5                                  | 10                    | 2    | 2,670,000                                   |
| Lead SL Replacement -North I.D. 2652 (c)  | 11-23       | 2,670,000                                 | \$ 19,620                               | 399,291 | 5   | 4                                  | 9                     | 3    | 2,670,000                                   |
| Lead SL Inventory-South I.D. 3824 (e)   | 5-23        | 3,000,000                                 | \$ 18,216                               | 494,646 | 5   | 3                                  | 8                     | 4    | 3,000,000                                   |
| Lead SL Inventory-West I.D. 2672 (a)  | 5-23        | 3,000,000                                 | \$ 17,746                               | 474,311 | 5   | 2                                  | 7                     | 5    | 2,881,500                                   |
| Lead SL Inventory-North I.D. 2652 (b)   | 5-23        | 3,000,000                                 | \$ 19,620                               | 399,292 | 5   | 1                                  | 6                     | 6    | 0   |
| <b>TOTAL</b>  |             | <b>\$17,010,000</b>                       |   |         |   |                                    |                       |      | <b>\$ 13,891,500</b>                        |

\* Systems related to communities or serving directly a community that meets affordability criteria of MHI as defined by the Commonwealth.  
 \*\*Assign 1 point to lowest adding 1 point subsequently  
 @ For this IUP 2022 DW BIL-LSLR allotment, the Disadvantage Community Subsidy is exactly 49% or \$13,891,500.

**Table 11: DETERMINATION OF HARDSHIP LOAN SUBSIDIES TO PROJECTS- DW BIL Emerging Contaminants (EC)**

| PROJECTS^   | Ready to go | Assistance cost (based on Readiness List) | MHI Affordability (2017-2021 US Census) | Pop.   | RANKING POINTS according to:                      |                                    | TOTAL PRIORITY POINTS | Rank | Disadvantage Community Subsidy@ |
|---|-------------|---|---|--------|---|------------------------------------|-----------------------|------|---------------------------------|
|   |             |   |   |        | Affordability Related to Disadvantaged Community* | Additional Points Based On Pop. ** |                       |      |                                 |
| WTP Aibonito La Plata - Manganese I.D. 4545 (b)   | 4-24        | 555,000                                   | \$19,620                                | 15,973 | 5   | 2                                  | 7                     | 1    | 555,000                         |
| WTP Guajataca, Isabela- Manganese I.D. 3772   | 11-23       | 2,000,000                                 | \$17,746                                | 11,623 | 5   | 1                                  | 6                     | 2    | 2,000,000                       |
| <b>TOTAL</b>  |             | <b>\$ 6,055,000</b>                       |   |        |   |                                    |                       |      | <b>\$ 2,555,000</b>             |
| <p>*Systems related to communities or serving directly a community that meets affordability criteria of MHI as defined by the Commonwealth.<br/> **Assign 1 point to lowest adding 1 point, subsequently<br/> @ For this IUP 2022 <b>DW BIL-EC</b> allotment, the Disadvantage Community Subsidy ranges from 25% floor or \$1,888,750 to 100% ceiling or \$7,555,000. DOH provided \$2,555,000 or 33.8%</p> |             |   |   |        |   |                                    |                       |      |                                 |



Based on DOH's evaluation:

- **49% or \$13,891,500 from DW BIL-LSLR** funds has been awarded to the following projects: *Lead Service Line Replacement- South, West and North and Lead Service Line Inventory- West and South* as shown on **Table 7**.
- **33.8% or \$2,555,000 for DW BIL-EC** funds has been awarded to the following projects: *Guajataca WTP-manganese control and La Plata WTP - manganese control*, as shown on **Table 8**.

DOH has determined to award it as a subsidy with **100% principal forgiveness and zero percent (0.0%) of interest rate**.

#### **8.2.4 Additional Subsidies**

The BIL establishes that for **DW BIL-EC**, States will provide the remaining amount, after establishing the disadvantaged community or systems serving less than 25,000 persons amounts (see previous section), to eligible recipients to provide additional subsidization (mandatory congressional) with negative interest loans, principal forgiveness (or any combination of these). For DW BIL-LSLR, none was established, since the 49% amount of grant to be awarded, is to be given as subsidy to systems that meet the disadvantaged community criteria, as mentioned in **Section 8.1**.

DOH must identify projects within at least one of the following qualifying categories in order to receive points under the additional mandatory congressional subsidy criterion:

- a) projects that will eliminate or consolidate small system..... 3 points
- b) projects that support sustainable systems and help build or maintain the technical, financial and managerial capacity of the recipient ..... 2 points
- c) systems related to communities or serving directly a community that could not otherwise afford the DWSRF loan including disadvantaged communities as defined by the Commonwealth ..... 1 point

When applicable, if the Act provides for a range in the percent to be established, and if the recipient has projects that could be identified under one or more of the above-mentioned categories, for each additional remaining category the percent will increase by 5%.

The mandatory congressional subsidy will be distributed until the subsidized amount is completely used and among the eligible recipients (See **Appendix I**) as follows:

- to project(s) by priority order and the qualifying category and until the subsidized amount is completely used.

In the case that there is only one recipient, the subsidized amount could be awarded in any of the following manners and until the subsidized amount is completely used.

- to project(s) by priority order and the qualifying category,
- directly to the project(s) identified within the qualifying categories,
- the project(s) first received and ready to go,
- the most expensive project(s).

Based on DOH's evaluation, for this year, DOH will provide **66.2% (\$5,000,000)** of the **FY 2022 DW BIL-EC** capitalization grant for the ***Cidra Urbano WTP manganese control*** and ***Gurabo WTP PFAS Pilot*** projects, in the form of **100% principal forgiveness** and **0% interest rate**. (See **Table 8**)

## **9.0 PROJECT PRIORITY LIST**

### **9.1 Project Selection Process**

Federal law requires the Commonwealth to develop a Project Priority Ranking System. The priority ranking system establishes a list of eligible projects to be funded in a manner consistent with the SDWA, such that compliance is given the highest priority. The DOH proposed that Priority will be given to water systems in non-compliance with the surface water treatment requirements, and those incurring acute, primary or action level violations, as defined in the SDWA. Addressing these problems will protect the public health of the water users and will bring water systems into compliance with the SDWA.

The next priority has been given to systems that address the most serious risks to public health, therefore the highest priority will be given to acute public health risks, particularly those related to microbiological organism. Situations that pose chronic and longer-term risks to consumers, such as organic chemical contamination, are also considered.

The scoring criteria also considers issues related to infrastructure upgrading or replacement. The project ranking system also considers, as mandated by the SDWA, special allocations and restrictions on the use of DWSRF monies for disadvantaged and small systems. **Now, under BIL, the project ranking system was revised to consider projects that address lead service line replacements, or activities related to it, and projects that address emerging contaminants, prioritizing on PFAS.** A detailed description of the Project Priority Ranking Systems is included as **Attachment III** (*Systems Criteria and Ranking Methodology (Summary)*) to this IUP. A checklist as to the information to be provided by the proponent is included as **Attachment V** (*Check List for Priority Ranking/Project Fact Sheet*).

## **9.2 Description and Use of Project List**

Projects must be included in the IUP to receive DWSRF financing. This IUP includes the following prioritized lists of eligible projects being considered for financing from the DWSRF.

- The Project Priority (Readiness) List or Fundable List/Robust List includes projects which have completed construction or will submit plans and specifications for review and approval and are expected to be ready for long-term financing during the effective period of this IUP. DOH will review the projected readiness date and the project proposal for all eligible projects and put together the fundable and planning portions of the list. (See **Tables 7 and 8**)
- The Project Multi-Year List includes projects that may be ready during the current IUP period and, in the case where additional funds are available or a project on the fundable or readiness portion is not ready to proceed, these projects may substitute the ones not ready upon a formal request of the proponent. Both Lists may include projects for small systems serving less than 10,000 people, as well as projects related to Disadvantaged Communities. **For this DW BIL-LSLR/EC IUP, no Multiyear lists are included because future projects for LSLR will depend on the findings of the service line inventory projects in DW BIL-LSLR Readiness List; and for EC, the projects' estimates in DW BIL-EC Readiness List are enough to cover the DW BIL EC funding through the 5-year period. Nonetheless, projects can be added in future IUPs as they are received.**

### 9.3 **Hardship List**

This IUP includes a preliminary Hardship List. Final hardship determinations/evaluations will be completed once DOH received all the necessary information related to project, that were initially qualified for hardship status. **For this FY2022 DW BIL-LSLR/EC IUP**, this Preliminary Hardship Lists were established (Refer to **Tables 10** and **11**) and the projects are included in the Robust List.

### 9.4 **State Environmental Review Process/Determination of Equivalency Projects**

To be consistent with federal guidelines, the State Environmental Review Process (SERP) applies to all projects receiving financial assistance from the DWSRF. The SERP incorporates environmental review requirements of the National Environmental Policy Act (NEPA) and its implementing regulations, and the Puerto Rico Environmental Quality Board Act (Act No. 416 of September 22, 2004, known as the Environmental Public Policy Act derogated Law No. 9 of June 18, 1970, as amended). The DWSRF loan applicant must comply with the SERP in order to receive DWSRF financing.

In accordance with the SERP, all DWSRF financed projects are classified as either Tier I or Tier II projects. Tier I projects, also referred to as "equivalency" projects, refer to those DWSRF projects that are financed by loans whose cumulative total is an amount equal to the federal Capitalization Grant to the State. Tier II projects, ("non-equivalency" projects), refer to all other projects that receive DWSRF financial assistance.

Tier I projects must undergo an environmental review consistent with the National Environmental Policy Act (NEPA). For the DWSRF program, Tier I projects will include:

- projects for which an environmental review consistent with NEPA has already been completed; and
- projects that meet the definition of a NEPA categorical exclusion.

If necessary, additional Tier I Projects will include:

- projects for which applicants have voluntarily undertaken to complete a NEPA equivalent environmental review;
- projects that have a particular environmental significance, due to the nature and scope of the projects; and

- projects for which the environmental review can be considered functionally equivalent to NEPA environmental review, with some minor additional elements.

Tier II projects refer to the environmental review requirements of EQB, with additional requirements that may be imposed by the SERP for the DWSRF program. Applicants will be notified by DOH and EQB whether their project(s), proposed for financing through the DWSRF program, fall under the category Tier I ("equivalency") or Tier II. Since the enabling of the Commonwealth law that created the Office of Permits and Management (or OGPe in Spanish), the state environmental review process that is being undertaken is through this agency. DOH, in its review process, has always required an environmental review process that complies with the NEPA, or is a NEPA-like process, as established by, or required by, the DWSRF program.

## **10.0 ATTACHMENTS AND APPENDIXES**