

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

**INTENDED USE PLAN 2022
GENERAL SUPPLEMENTAL FUNDING
FY 2022 DWSRF BIL**

**Final
May 2023**

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1.0 INTRODUCTION

The Department of Health (“DOH”) is lead Agency responsible for the administration of the Drinking Water State Revolving Fund (“DWSRF”) and as such has done now for twenty seven (27) years.

Since the establishment of the DWSRF, a total of 27 capitalization grants including ARRA have been approved in the total amount of \$281.5 million. As of today, DOH is waiting the approval of the FY 2022 base allotment requested on March 12, 2022.

Through memorandum dated March 8, 2022 The Environmental Protection Agency (EPA) provides information and guidelines for “the implementation of the Bipartisan infrastructure Law of November 15, 2021 (hereinafter referred to as 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 these funds. This implementation memorandum is expected to be applicable to all five years of BIL appropriations, from FY 2022 to FY 2026. EPA will issue procedures during FYs 2023 through 2026 with allotment tables and any other necessary program updates. This law is an investment increase to strengthen the nation’s drinking water systems addressing urgent water challenges for all communities especially disadvantaged communities to replace lead service lines and address emerging contaminants along with a general supplemental provision. This Intended Use Plan (IUP) provides for the general supplemental funds information on how funds, available through the BIL, will be used to provide financial assistance for drinking water projects and identifies the guidelines and policies applicable for funding award.

The BIL appropriates more than \$43 billion to be administered through the existing SRF's: CWSRF and DWSRF programs from fiscal years (FYs) 2022 through 2026. Concerning the DWSRF There are three appropriations per year for the DWSRF. Table 1 shows a summary of the five distinct appropriations and annual appropriation amounts. Per statute, EPA will use the existing SRF allotment formulas for all BIL SRF appropriations.

Regarding the implementation on the SRFs, under the BIL memorandum, there will be flexibility provided to states and borrowers to address a wide variety of local water quality and public health challenges. Thus, for borrowers, the SRFs remain a flexible source of capital that can be used in combination with additional funding sources to finance water infrastructure projects. With the general supplemental funding to both SRF's , and creation of dedicated funding within the SRFs to tackle lead and emerging contaminants, states have a great deal of flexibility in program administration. As previously mentioned, "drinking water projects eligible for financing include a wide variety of drinking water treatment, including projects to address lead exposure in drinking water, violations of the maximum contaminant levels unregulated contaminants, acute health effects (e.g. Surface Water Treatment Rule requirements)". Following are the flexibilities for the BIL SRF funding, including, but not limited to (1) program administration and processes, (2) additional subsidy, and (3) emerging contaminants.

As it relates to program administration and processes, states have the flexibility to:

- Determine priorities and select projects.
- Combine Intended Use Plans (IUPs) and Project Priority Lists (PPLs) for both the BIL and base funding or submit separate IUPs and PPLs for both base and BIL funding.

- Apply for conditional or partial grants.
- Craft single assistance agreements (e.g., loans or grants) that contain multiple types of construction components and activities funded by multiple pots if the funds are tracked separately.
- Design and manage the application process.
- Take administrative funds from each funding stream.
- Transfer funds between programs to address state needs.
- Use recycled funds for any eligible purpose.
- Set interest rates and repayment terms.

As it relates to the additional subsidy, states have the flexibility to:

- Define disadvantaged community and affordability criteria in a manner that is consistent with Safe Drinking Water Act (SDWA).
- Determine the amount of additional subsidization provided in each assistance agreement.

As it relates to emerging contaminants, states have the flexibility to:

- Select projects that are DWSRF eligible whose primary purpose must be to address emerging contaminants, with a focus on PFAS, using the broad CCL 1-5.

A total of \$43,426,000,000 are assigned to all the SRF programs in partnership with EPA beginning FY 2022 through FY 2026. The summary of the BIL appropriations is as follows:

| Summary of BIL Appropriations (FY 2022 through FY 2026) | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Appropriation | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | Five Year Total |
| DWSRF General Supplemental | \$1,902,000,000 | \$2,202,000,000 | \$2,403,000,000 | \$2,603,000,000 | \$2,603,000,000 | \$11,713,000,000 |
| DWSRF Emerging Contaminants | \$800,000,000 | \$800,000,000 | \$800,000,000 | \$800,000,000 | \$800,000,000 | \$4,000,000,000 |
| DWSRF Lead Service Line Replacement | \$3,000,000,000 | \$3,000,000,000 | \$3,000,000,000 | \$3,000,000,000 | \$3,000,000,000 | \$15,000,000,000 |

The following table includes the amounts established in the allotment tables for the DWSRF Program, for the three main dedicated funding, as assigned to the PRDWSRF for fiscal year 2022:

| BIPARTISAN INFRASTRUCTURE LAW, 2021 (BIL) FY 2022 - DWSRF APPROPRIATIONS | | | |
|---|--------------------------------|-----------------------|--------------|
| General Supplemental Funding | Lead Service Lines Replacement | Emerging Contaminants | Total |
| \$17,992,000 | \$28,350,000 | \$7,555,000 | \$53,897,000 |

This Department has determined to prepare an IUP for the general supplemental funding and a combined one for the LSLR and EC funding of the BIL appropriations. As stated previously this IUP will detail the proposed uses for the General Supplemental Funding.

It is important to indicate that, besides the SDWA that creates the DWSRF, as amended, there are other amendments incorporated by the American Water Infrastructure Act of 2018 (AWIA), the Water Infrastructure Improvements for the Nation (WIIN) Act's passage (December 6, 2016), the Consolidated Appropriations of 2022 (Consolidated 2022) and those of the Bipartisan Infrastructure Law 2021, (BIL) that regulates the use of funds awarded to the DWSRF and that are maintained herein, unless otherwise stated in the BIL . All DWSRF program requirements

apply to projects that receive BIL funds. DWSRF program requirements are explained in detail in this FFY 2022 DWSRF General Supplemental IUP.

Thus we must mention also that as indicated in EPA's memorandum of March 25, 2019 of the Office of Water, among the provisions of the AWIA, enacted In October 23, 2018 are amendments to the SDWA §1452 (42 U.S.C. 300j-12) that provide changes to the DWSRF program. As EPA expressed in that moment, this is only the second major law in the past twenty (20) years to change part of the SDWA Section 1452 that enacted the DWSRF Program. This Act authorizes extended infrastructure loan terms, requires the provision of additional subsidy to state-defined disadvantaged communities, and expands 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. There are also changes related to prevailing wages, need survey, and other authorized activities. EPA indicated that the changes will take place immediately. Among these major changes are: "AWIA §2015(a) - Use of Funds" amended the SDWA §1452(a)(2)(B). The subsection now states: (B) "Limitation - Financial assistance under this section may be used by a public water system only for expenditures (including expenditures for planning, design, siting, and associated preconstruction activities, or for replacing or rehabilitating aging treatment, storage, or distribution facilities of the public water systems, but not including monitoring, operation, and maintenance expenditures) of a type or category which the Administrator has determined, through guidance, will facilitate compliance with national primary drinking water regulations applicable to the system under section 300g-1 of this title or otherwise significantly further the

health protection objectives of this subchapter.” These activities were DWSRF-eligible prior to the AWIA amendments, per the DWSRF regulations, and are now spelled out in the SDWA. States may continue using DWSRF funds for these activities”.

As of today, and for the last twenty-seven (27) years, the only loanee for the DWSRF funds has been the Puerto Rico Aqueduct and Sewer Authority (PRASA).

The government instrumentalities in Puerto Rico, have been affected by the global economic distress. The DWSRF was no exception. The riddance of said cut off marked the restart of the DWSRF. Currently there are no funds available for repayment amount to be used or included in this general Supplemental IUP in conjunction with this supplemental Capitalization Grant FY 2022.

In addition to the AWIA, the Commonwealth of Puerto Rico (“the commonwealth”)will use as guidance for this Intended Use Plan, the Bipartisan Infrastructure Law of November 15, 2021 (BIL), and the “Consolidated Appropriations Act, 2022” (Consolidated 2022”), passed by Congress on March 15, 2022 and any applicable regulation established by the BIL.

Monies appropriated by the Commonwealth will be used to provide federally mandated state matching funds. The WIIN Act’s passage (December 6, 2016).–This passage changes to the SDWA subsection 1452(G)(2), particularly to the DWSRF set asides, create additional Program flexibilities for state managers to consider. Regarding the WIIN §2102: Preconstruction Work as amended, the SDWA §1452(a)(2) as amended for “Use of funds” now states:

“(A) In general

Except as otherwise authorized by this subchapter, amounts deposited in a State I(1 fund, including loan repayments and interest earned on such amounts, shall be used only for providing

loans or loan guarantees, or as a source of reserve and security for leveraged loans, the proceeds of which are deposited in a State loan fund established under paragraph (1), or other financial assistance authorized under this section to community water systems and nonprofit noncommunity water systems, other than systems owned by Federal agencies.”

The WIIN includes changes on limitation of the use of the funds, authorization for the sale of bonds for some specific purposes.

Also, WIIN §2103: Administration of State Loan Funds, has amended the SDWA § 1452(g)(2) “ providing states with two additional options to identify the maximum allowable Administration and Technical Assistance (4%) set aside that can be reserved for capitalization grants awarded after December 16, 2016. States may take up to 400,000, 1/5 of a percent of the current valuation of the fund, or 4% of capitalization grants awarded whichever is greater.”

When referencing to the 10% of the State Program Management (SPM) set-aside, the WIIN §2103(2)(B) - Additional use of funds – eliminates the requirement to the State to match *“the expenditures with at least an equal amount of State funds”* and also eliminates the requirement to “at least half of the match must be additional to the amount expended by the State for public water supervision in fiscal year 1993.” “Therefore, for capitalization grants awarded after December 16, 2016, states are no longer required to provide the additional match to receive this set-aside. For capitalization grants awarded before December 16, 2016, all terms and conditions applicable to those capitalization grants remain in effect. Specifically, states must continue to demonstrate the SPM match when drawing from pre-December 16, 2016, capitalization grants.”

Regarding the state match requirement, the BIL reduces the state match to 10% of the total amount of the capitalization grant in fiscal years 2022 and 2023. The match requirement returns to 20% of the capitalization grant in fiscal year 2024 and thereafter.

Therefore, in compliance with the requirements for the use of the funds corresponding to the General Supplemental Provision, DOH is providing for FY 2022 General Supplemental , the corresponding 10 percent state match or \$1,799,200 and is included in this Intended Use Plan based upon the fact that we have already filed our grant application including said amount.

The Intended Use Plan (IUP) is the planning document for explaining how all DWSRF funds, including the federal fiscal year (FFY) 2022 general supplemental allotment will be used.

The Department has the authority to award funds in additional principal forgiveness made available by the BIL in addition to the existing principal forgiveness under the base grant. This includes funds for eligible drinking water projects under the FFY 2022 DWSRF General Supplemental grant (DW BIL GEN) and funds for projects that address emerging contaminants under the FFY 2022 DWSRF Emerging Contaminants grant (DW BIL EC) and funds for projects that address lead in drinking water (DW BIL LSLR), funds and principal forgiveness authority available from the grant awards will be blended with carryover principal forgiveness authority from prior grants (DW Base Prior), DWSRF repayments and state match funds, and other sources of DWSRF funds to provide funding to eligible projects.

The DWSRF is administered by the Puerto Rico Department of Health (DOH) and as established by law it can be assisted in said administration by the Puerto Rico Environmental Quality Board (PREQB) and the Puerto Rico Infrastructure Financing Authority (PRIFA). Since September 2018,

and as requested by EPA, being the Fiscal Agency and Financing Advisory Authority (FAFAA) of Puerto Rico the new Fiscal Agent of the Commonwealth, their participation was considered in the DWSRF. To this effect, DOH revised not only its Operating Agreement, but also the Memorandum of Understanding and related documents in order to include the FAFAA and detail their role and responsibility regarding the DWSRF. In addition, the Trust Fund agreement required by EPA for Puerto Rico's SRFs was established.

As required for the funds assigned by EPA to the SRF programs in order to receive the approval of the funds requested, under the BIL funding, States must submit an Intended Use Plan documents to EPA in order to receive its approval. As Section 1452(b) of the SDWA require, the BIL also requires "the states to prepare a plan identifying the intended uses of the funds in the SRF and describing how those uses support the goals of the SRF. An IUP, meeting all requirements of section 1452 of the SDWA and regulations, will be required for EPA's approval of a grant award and release of awarded funds. DOH will undertake the public participation process as required by the SDWA in an effort to encourage the public in the application process. DOH will direct its exertions towards looking for public participation related to this IUP . The IUP will include a robust list of projects including but not limited to disadvantaged systems/communities, their priority setting, and an explanation of the set-asides established in administrative funds, technical assistance, and State Program Management.

The DOH, acting on behalf of the Commonwealth hereby submits to the EPA, as part of the general supplemental funding application for a Capitalization Grant under Section 1452 of the

Safe Drinking Water Act, as amended (the "Act"), an IUP which meets the requirements of Section 1452 of the Act and the AWIA amendments to Section 1452.

As stated, this Department will be referring the requirements and provisions previously discussed. It must be noted that Section WIIN § 2113 amends SDWA § 145(a) inserting the American iron and steel, or AIS, provision into the SDWA, requiring that all iron and steel products use permanently being an infrastructure project for the construction, alteration, or repair of a public water system be produced in the USA, unless a waiver has been approved by EPA.

This requirement shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency finds that: (i) applying the requirement would be inconsistent with the public interest; (ii) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (iii) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

For more information, we have included as **Attachment A** - *EPA's memorandum dated November 20, 2018, on the subject "Application of American Iron and Steel Requirements for Drinking Water State Revolving Fund Projects for Fiscal Years 2019 Through 2023"*.

Regarding the additional subsidization, the BIL overrode what is in SDWA 1452 (d) which used to say 12 to 35% additional subsidy each year. Thus, only for the BIL general and the LS LR Grants or "pots". The BIL states: *"Provided further, That for the funds made available under this paragraph in this Act, forty-nine percent of the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible*

recipients in the form of assistance agreements with 100 percent forgiveness of principal or grants (or any combination of these), notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C. 300j-12)."

We must point out that regarding the BIL-EC grant all the funds must be used as additional subsidization minus any funds used to set aside. It also states that at least 25% of the additional subsidization must be provided to disadvantaged communities or systems that serve fewer than 25,000 people.

Thus, as indicated through memorandum dated March 8, 2022, "states must provide additional subsidization to water systems that meet the state's disadvantaged community criteria as described in section 1452(d) of the SDWA. That SDWA subsection defines a "disadvantaged community" as: "...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.

This IUP describes how a state's disadvantaged community program will operate including the state's definition a disadvantaged community and provides the affordability criteria used to determine the amount of disadvantaged assistance, the amount and type of loan subsidies that may be made available to disadvantaged communities, and an identification of projects that will receive disadvantaged assistance and the respective amounts. DOH may benefit disadvantaged

communities beyond the additional subsidization as needed by providing to the extent possible lower interest rates and extended loan terms. To this effect this IUP has been prepared.

Additionally, as stated previously in order to broaden the opportunity for these systems to participate of the level of funding under BIL, DOH has revised its definition of a Disadvantaged community in an effort to ensure that it is sufficient to address public health and affordability issues. This Department is looking forward to assist these system/-disadvantaged communities- in accessing these funds in order to improve their water infrastructure and to protect public health. Priority points have been assigned to them ~~systems~~ to ensure that additional subsidy is provided. Nevertheless, we have to mention that EPA recognizes that some communities will not necessarily meet requirements to receive SRF funds. To this effect DOH expects to use set-aside funds to attract and assist disadvantaged communities that possibly were unable to complete SRF funding requirements. This Department is providing all possible benefits, as provided and indicated by the BIL, to the disadvantaged communities beyond additional subsidization, as needed or necessary, including lower interest rates and extended loan terms. These procedures address the implementation of the requirements and set forth administration priorities. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated are considered 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.

DOH is available to provide assistance and 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, as well as management alternatives that consider the establishment of asset management plans for the system.
- are consistent with community goals and objectives, and include a financial strategy to ensure that the infrastructure can be sufficiently operated, maintained and replaced over time.

For background regarding the provision's application for the General Supplemental Funding, please refer to **Attachment VII** – *EPA Memoranda of May 20, 2011 (Attachment 8 of the DWSRF Projects Benefit Reporting Data Elements 2012 Procedures) and December 20, 2012); Interim Davis Bacon Act Guidance (EPA) March 2010 (<https://www.epa.gov/drinkingwatersrf/interim-davis-bacon-act-guidance>); AIS – Memoranda EPA-Washington, DC of May 11, 2013; Nov 27, 2017; April 7, 2017; February 3, 2016, October 13, 2015, January 15, 2015; 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). This Attachment also includes Memorandum of March 25, 2019 – Implementations of Drinking Water State Revolving Funds (DWSRF) – related Safe Drinking Water Act (SDWA) Amendments in America's Water Infrastructure Act (AWIA) of 2018, and Attachment VII-A_includes EPA memoranda dated memorandum of March 8, 2022,*

regarding the *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law*.

Following are the requirements for the BIL.

1.1 Additional Subsidization

As previously mentioned, the BIL overrode what is in SDWA 1452 (d) of the SDWA which used to say 12% to 35% as additional subsidy for each year. Instead, there is only the disadvantaged community subsidy where the ceiling was “eliminated”. For the BIL general supplemental and the LS LR Grants the BIL states: *“Provided further, That for the funds made available under this paragraph in this Act, forty-nine percent of the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreements with 100 percent forgiveness of principal or grants (or any combination of these), notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C. 300j-12).”*

For the BIL-EC grant all the funds must be used as additional subsidization minus any funds used to set aside. It also states that at least 25% of the additional subsidization must be provided to disadvantaged communities or systems that serve fewer than 25,000 people.

Thus as approved by the Congress, this Department we will be using the 49% *Additional Subsidy”* which will be awarded to *eligible water systems recipients which meet the states disadvantaged community criteria in the form of assistance agreements with*

100 percent forgiveness of principal and 0% interest rate. See SECTION 8.0 Disadvantaged Community Program for further details.

For several years DOH has been able to provide additional subsidies. Up to fiscal 2021, the amount of \$43.5 million have been provided as additional subsidy in order to avail the construction of infrastructure, as well as a counteraction to the global economic distress/rescission.

For this current fiscal year 2022 general supplemental IUP, 49% the BIL overrode what is in SDWA 1452 (d) of the SDWA which used to say 12% to 35% as additional subsidy for each year. Instead, there is only the disadvantaged community subsidy where the ceiling was “eliminated”. For the BIL general supplemental and the LR Grants the BIL states: *“Provided further, That for the funds made available under this paragraph in this Act, forty-nine percent of the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreements with 100 percent forgiveness of principal or grants (or any combination of these), notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C. 300j-12).”*

For the BIL-EC grant all the funds must be used as additional subsidization minus any funds used to set aside. It also states that at least 25% of the additional subsidization must be provided to disadvantaged communities or systems that serve fewer than 25,000 people.

Thus as approved by the Congress, this Department we will be using the 49% Additional Subsidy” which will be awarded to eligible water systems recipients which meet the states disadvantaged community criteria in the form of assistance agreements with 100 percent forgiveness of principal and 0% interest rate. will be awarded as additional subsidization as shown on the Project Readiness List. The total new amount awarded as additional subsidy is \$53.3 million including the base 2022 grant.

1.1.1 “Mandatory Congressional 49% Additional Subsidy

The BIL, mandates that 49% of funds provided through the DWSRF General Supplemental Funding must be provided as forgivable loans with 100 percent forgiveness of principal or grants (or any combination of these) to disadvantaged communities.

As it relates to the additional subsidy, states have the flexibility to:

- Define disadvantaged community and affordability criteria in a manner that is consistent with SDWA.
- Determine the amount of additional subsidization provided in each assistance agreement.

The recipient (DOH or the Commonwealth) agrees to use forty-nine percent (49%) or \$8,816,080 of the total of \$17,992,000 funds made available in this grant to provide additional subsidization to eligible recipients forgivable loans with 100 percent forgiveness of principal and zero percent interest rate to disadvantaged communities.

Now in an effort to assist disadvantaged communities, Congress through the BIL provides for 49% of the allotment to be awarded as additional subsidy under the General Supplemental Grant.

The BIL is designed to rebuild America's infrastructure and invest in communities that have too often been left behind – from rural towns to struggling cities. DOH will direct all its exertions towards using Funds under the BIL for the disadvantaged communities. The amount of additional subsidy available will be directed to them. The expectation is that the opportunity to these communities is broaden or expanded for them to seize this unique chance under the SRF programs. To this effect DOH as required by the SDWA developed "affordability criteria" and revised the definition of "disadvantaged communities" to best address affordability needs consistent with other laws, including federal non-discrimination statutes, such as, Title VI of the Civil Rights Act of 1964, discussed above.

As recommended by the EPA DOH revised the disadvantaged community definition and affordability criteria in order "to ensure that they are reflective of current affordability issues" DOH included the disadvantaged community definition and the-affordability criteria in this IUP, which is subject to public review and comment as detailed in section 8.0 of this IUP.

As required by the BIL, in targeting the additional subsidies, Puerto Rico will provide forty-nine percent (49%) or \$8,816,080 during FY 2022 awarded as forgivable loans with 100 percent forgiveness of principal and zero percent interest rate to disadvantaged communities, and will be subject to compliance with the regulations. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth.

The term "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. The Administrator may publish information to assist States in establishing affordability criteria."

"States must establish or continue to implement a Disadvantaged Community Program and solicit applications from water systems.

The BIL requires that: "States must identify in the IUP sufficient eligible projects that will receive additional subsidization. States that are unable to identify sufficient eligible projects may receive partial grant awards until they are able to fund sufficient communities or projects that meet the criteria for receiving additional subsidization. Funds will be reallocated in instances where states are unable to identify sufficient eligible communities or projects to receive additional subsidization by the

end of the second fiscal year of grant availability. This is consistent with both SRF statutes.”

Up to date, in compliance with the law regarding targeting subsidies the DWSRF program has since its inception defined the “disadvantaged,” community in order to avail the use of additional subsidization as authorized by law but circumscribed to those communities in need that meet the Commonwealth’s definition of “disadvantaged,”

1.2 Green Project Reserve (GPR)

Funds under this reserve may be used at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities”.

During this year Puerto Rico has not been able to identify green infrastructure within the projects that will be funded from the FY 2022 funds and, will not use monies provided by this grant to address green infrastructure funds for eligible projects, water or energy efficiency improvements, or other environmentally innovative activities, as established in the Consolidated, 2022.

1.3 Davis-Bacon Requirements

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 2015, 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 include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as stated in the Further Consolidated, 2020, the Consolidated, 2021 and the AWIA 2018, §2015(b): Prevailing Wages or any grant condition referencing Contract and Subcontract provisions.

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.

- in the Report to the Governor on the efficacy of the strategy and progress made toward improving the technical, managerial, and financial capacity of public water systems in the State is necessary to demonstrate *“efforts of the State to encourage development by public water systems of asset management plans and to assist public water systems in training relevant and appropriate persons in implementing such asset management plans”*.

Concerning the BIL “States shall report no less than 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, and Additional Subsidization as described in paragraph below, as

well as information on the environmental and public health benefits of SRF assistance agreements, as described in paragraph below.”

1.4.1 Data Elements

The CBR/PBR and the Annual Report must contain information on the progress made in meeting the additional subsidization requirements for both SRFs, as well as any green projects funded by the State for the DWSRF. (Note: For the DWSRF, it is the State’s choice to fund green projects. If a State decides to fund green projects, the data about the projects must be reported to PBR and it is also required by the BIL.)

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 that receive funding under the Green Project Reserve or 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

“Puerto Rico will be reporting quarterly in the DWSRF Project Benefits Reporting (PBR) system on the use of all contracts under the grants”. See the attachment mentioned below. In FY 2010, the DWSRF program identified project level data to be reported quarterly to the Drinking Water Project and Benefits

Reporting System (PBR) for the base program. These data elements were used for states' quarterly reporting in FY 2013. The data elements are identified in ***Attachment VII*** of the FY 2012 Procedures (as identified in *Attachment 8 of the DWSRF Projects Benefit Reporting Data Elements 2012 Procedures*) and will be used for reporting environmental/public health benefits of DWSRF assistance agreements.

Puerto Rico will be reporting quarterly in the DWSRF Project Benefits Reporting (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 online to enter this information. Quarterly reporting shall include use of the funds for the GPR and Additional Subsidization, as well as information on the environmental benefits of SRF assistance agreements. This information will be included in the Annual Report.

1.4.3 Needs Survey

DOH will continue to assist in Needs Survey completions as requested by EPA. We have to point out that the reporting in regard the Needs Survey of water systems to be conducted in accordance to the regulations, shall include an assessment of costs to replace all lead service lines as defined in the law of all eligible public water systems , and such assessment shall describe separately the costs associated with replacing the portions of such lead service lines that are

owned by an eligible public water system and the costs associated with replacing any remaining portions of such lead service lines, to the extent practicable.”

EPA’s explanation is that: “The quadrennial Needs Survey shows the capital improvement need for DWSRF-eligible public water system infrastructure over the next 20 years.”

“This section 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. Complete service line replacement is defined by replacing pipes up to the point of premise plumbing. Service lines consist of a publicly owned section and a privately-owned section. The publicly owned portion of a service line is the section connected to the water main and running-up to the property line. The privately-owned portion is the section running from the property line to connection to the premise plumbing (generally at an isolation valve). Replacement of the entire service line is DWSRF-eligible. Continuing from the publicly owned portion of the pipe often found under a street, the service line from the public water main to the point at which it connects with premise plumbing is DWSRF-eligible. Premise plumbing is defined by the pipes found on the other side of the isolation valve. That connection may be inside or outside of homes and other buildings. Note that premise plumbing is not eligible for DWSRF funding.”

1.5 Unliquidated Obligations

DOH will continue implementing to the extent possible the 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"*.

EPA continues encouraging the reduction of ULO's,-using several practices that are detailed on the above-mentioned memoranda to accelerate the use of the ULOs.

DOH will continue:

- Using the federal funds in a first-in-first-out (FIFO) basis.-Drawdowns will be directed towards the oldest grant open (2016 and subsequent opened ones. As of today, the last grant closed with final FFR submitted is that of fiscal year 2015, submitted in March 2023.
- Continue the development of a robust list of fundable/ready to proceed projects with a meaningful promising multi- year list. Since the riddance of the cut off, on an annual base, this robust list is revised in the corresponding Intended Use Plan. For this fiscal year 2022, also, the current robust list was revised to include any additional funds/projects that are eligible.
- Current in-house requests and subsequent new ones will be processed from the federal portion of the oldest grant and subsequent grants, being the 2016 grant the oldest one. Up to date, all repayments received, along with

their earned interests, have been included in financial agreements, 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 (See Attachment I). Also, after the Debt Restructure, PRASA, the sole loanee to date, has been complying with repayments as established in the Debt Restructure Agreement. Disbursements have also been executed from the Repayment Account in a continuous manner, as projects progress.

- 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.

It is important to know that now that the Program is fully restarted DOH has continued the implementation of the ULO's Reduction

It must be noted that DOH has been able to execute financial agreements on all capitalization grants awarded up to FY 2018. FY 2019 through 2021 Capitalization grant funds financial agreement is expected to be executed in June 2023.

This Intended Use Plan (IUP) includes:

- an anticipated financing schedule for this IUP period;
- specifics on how DOH proposes to use available DWSRF funds;
- 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 drinking water projects: disadvantaged community projects and hardship list to receive DWSRF financing;
- 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;
- criteria for determining equivalency projects;
- the project scoring, ranking and selection system;
- a response to comments on the proposed ranking system;
- a discussion regarding the state's strategy to responsibly and expeditiously make use of un-liquidated funds from capitalization grants open;
- indication if the state is designating green projects and the method-criteria used for designating, if applicable; and

- indication if the state accomplished all the previous Work Plan enumerated goals. Concerning the activities as detailed in the work plan most of them have been accomplished although others require additional time and as such have been detailed in the corresponding work plan.

2.0 SHORT AND LONG-TERM GOALS

The DWSRF will help ensure that the Commonwealth's drinking water supplies remain safe and affordable and that drinking water systems that receive funding will be properly operated and maintained. 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. It is also DOH's goal to maximize the amendments to the law and regulations in order to provide more benefits when undertaking drinking water infrastructure construction. As an example of this, DOH has been able to use funds under the green project reserve that were directed towards water and energy efficiency, as well as to provide additional subsidies in order to avail the construction of infrastructure and thus provide the means to counteract the global economic distress/rescission, as stated previously. DOH continues promoting the use of this reserve and as such establishes the reserve based on the projects that will request such funds.

Having received the approval of the revision of the Capacity Development Strategy to include the promotion of asset management in drinking water systems, DOH has proceeded to revise its priority ranking systems to include asset management by awarding additional points to those projects that are developing or using asset management plans.

Through the BIL, the Environmental Protection Agency (EPA) is looking forward to strengthening the Nation's drinking water and wastewater systems. The BIL has provisions for flexibility so that borrowers can address challenges related to water quality and public health. Also, the BIL provides flexibility for the administration of the Program. The flexibility includes but it's not limited to

- determine priorities and selection of project,
- combined IUP's,
- application for conditional or partial grants
- craft out assistance agreements containing multiple types of construction components and activities funded by multiple pots independently accounted
- design and manage the application process
- establish administrative set asides for each funding stream
- transfer between SRF
- the use of recycled funds for eligible purposes
- set interest rates and repayment terms.

Concerning the subsidy states have the flexibility to

- define disadvantage community and affordability criteria in a way that it is consistent with the safe drinking Water Act
- determine the amount of additional subsidization provided in each capitalization grant agreement.

Under the BIL the key priority is to ensure that disadvantaged communities benefit equitably from the historic investment of the government in water infrastructure. To this effect under this general supplemental funding (GSF), 49% of the funds provided under the program, must be provided as grants and forgivable loans to disadvantaged communities.

2.1 Short-Term Goals

- Strengthen, establish and maintain a continuous technical assistance support process available to drinking water systems for availing compliance.
- Identify and determine feasible and affordable general compliance action plans available for systems implementation.
- Coordinate a mechanism or process for consolidating and/or eliminating existing non-viable small public drinking water systems.
- Use funds under the set-asides to establish a mechanism to assist and evaluate systems in order to improve their compliance and assure public health protection.
- Establish a technical and/or financial assistance mechanism to provide small systems that are in non-compliance, due to technical, financial and managerial reasons, with the necessary tools to foster compliance and access to funds and subsidies.
- Evaluate alternative solutions by assessing Best Management Practices (BMP) and Best Available Technology (BAT) to avail systems compliance.
- Promote in systems their development and use of asset management plans.

- Maximize the use of funds under the BIL.
- Increase investment in disadvantaged communities.
- Increase low-cost financing for strengthening the existing drinking water infrastructure.
- Promote resilience in drinking water systems.
- Facilitate/promote the Construction of resilient infrastructure.
- Provide feasible means of financing resilient infrastructure.
- Address new and urgent water challenges.

2.2 Long-Term Goals

- Focus on providing assistance to systems that are in the process of attaining and maintaining capacity.
- 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.
- Improve and strengthen the drinking water systems of the island.
- Promote Construction of drinking water systems which are energy efficient and all weather resilient.

3.0 FINANCIAL STATUS/TOTAL DWSRF

Initial capitalization for the Commonwealth DWSRF Program was provided from the 1997 and 1998 federal Capitalization Grants and Commonwealth matching dollars. The minimum state match requirement was 20% of each federal award. The state match requirement for the State Program Management Set-Aside was met at the time with-in-kind services provided by PWSS staff and a dollar-to-dollar appropriation from the Commonwealth. However, since fiscal year 2017, the match for the State Program Management set aside was eliminated for capitalization grants awarded after the WIIN Act's passage (December 6, 2016).

In addition, the "Bipartisan Budget Act of 2018" states that "as a result of disaster declaration related to Hurricanes Irma and María "all existing grant funds that are available but not drawn down shall not be subject to the matching or cost share requirements of sections 602(b)(2), 602(b)(3) of the Federal Water Pollution Control Act nor the matching requirements of section 1452(e) of the Safe Drinking Water Act and shall be awarded to such state or territory". This provision applied not only for the capitalization grants requested by the Commonwealth from FY 2015 to 2017 and partially, 2018, but also for the capitalization grants from 2012 through 2014 that had funds obligated but not disbursed. In accordance with the AWIA 2018 and the Consolidated Appropriations, 2021 this will not apply to the FY 2019, FY 2020, FY 2021 and 2022 regular capitalization grants. As previously stated, Puerto Rico provided this match, particularly for FY 2012 through 2014 and said credit was claimed as part of the grant application of fiscal year 2021. EPA's determination was recently received, thus, this Department has applied said credit to the FY2022 capitalization grant application.

| OUTSTANDING OBLIGATIONS | | | | |
|--|------------------------------|-----------------------------|--------------|-----------|
| Set-aside* | Previous Awards ^Δ | Cash Draw as of Sept. 2022 | Obligations | Available |
| DWSRF BASE ALLOTMENTS | | | | |
| Technical | \$4,883,564 | \$4,243,269.50 [†] | \$640,294.50 | \$0.00 |
| State Program Management | \$220,220 | \$0.00 [∞] | \$220,220 | \$0.00 |
| DWSRF BIL, 2021 - GENERAL SUPPLEMENTAL FUNDS | | | | |
| Technical** | \$359,840 | \$0.00 | \$359,840 | \$0.00 |
| State Program Management ^{ΔΔ} | \$1,079,520 | \$0.00 | \$1,079,520 | \$0.00 |
| <p>* There is no work plan required for administrative set-aside. The Commonwealth of Puerto Rico will be using the amount of \$719,680 or 4% of the \$17,992,000 allotment corresponding to the FFY 2022 BIL Gen Supp Capitalization Grant for the administrative set aside. DOH reserves the authority to take from future BIL Gen Supp capitalization grants funds not requested at this time from this capitalization grant for the applicable set-aside.</p> <p>^Δ This amount includes FY 2021 capitalization grant technical set-aside.</p> <p>** The Commonwealth of Puerto Rico will establish the amount of \$359,840 or 2% of the \$17,992,000 allotment corresponding to the FFY 2022 BIL Gen Supp Capitalization Grant for the Technical Assistance set aside.</p> <p>^{ΔΔ} The State Program Management set-aside corresponding to the FY 2022 BIL Gen Supp capitalization grant will be established in the amount of \$1,079,520 or 6%. DOH reserves the authority to take from future BIL Gen Supp capitalization grants funds corresponding to funds not requested at this time from this capitalization grant for the State Program Management set-aside.</p> <p>[†] This amount includes cash draws in process before Sept. 30, 2022.</p> <p>[∞] It is important to note that although this set-aside was established in FY 2020, but, as of today, cash draws execution has not been possible. Due to problems in the grant award and as indicated by EPA the need 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.</p> | | | | |

As of today, PRASA's debt restructure agreement was undertaken as of July 2019, and all pending cash draws were executed restarting the program in full in this way. Therefore, after having restarted the flow of funds the construction of drinking water infrastructure projects was resumed.

As previously indicated, PRIFA is the entity that is executing these fund transfers for projects, as well as for the set-asides, as per DOH instructions. Additionally, since fiscal year 2018-19, there is a Trustee that is also participating in the cash draw execution process.

We must emphasize that since the beginning of 2020, this Department has encountered *serious and overwhelming* prevailing challenges-earthquakes and the coronavirus-. We have also great challenges with an aged and fragile electric infrastructure that affects daily our government, commercial and private activities, Only recently, it has been declared endemic and the emergency declaration was withdrawn.

Regarding the set asides to be taken from the supplemental BIL, 2022 funds, DOH will establish a 4 percent or \$719,680 available under the administration set aside and the 2% or \$359,840 available for the Technical Assistance set-aside. The 2% established in fiscal year 2020 will be used for ongoing activities in 2022, as programmed for this set-aside and initiated in FY 2021 due to the delays encountered, caused by the pandemic and the global fiscal situation. Of the ten percent (10%) available for the State Program Management set-aside under the BIL, DOH will establish only \$1,079,520 or 6% and will bank the remaining 4%. This Department reserves the right to take from future capitalization grants amounts not claimed at this time. At the time, this amount may be used to continue activities under this set-aside. For this fiscal year DOH's expectation is to complete the activities started and give support to the PWSS in the assistance provided to the drinking water systems. DOH may also use these funds to promote asset management in the community water systems.

As stated previously, these amounts estimated were revised in order to use the funds in three phases, thus, using remaining balances of funds of previous years under the technical assistance set-aside, mainly. Details are provided in the Set aside Work Plan submitted in June 2021 and June 2022.

The cash draw proportionality for the BIL , funds directed for “General Supplemental Provisions” will be 89.80% federal and 10.20% state and is also described in the disbursement schedules.

Regarding the requirement of the state match for these funds, a ten percent (10%) or the amount of \$1,799,200 will be provided by the Office of Management and Budget of the Government of Puerto Rico. It is important to note that to support implementation of the SRF program, the Department of the Treasury has determined that State and Local Financial Recovery Funds under the American Rescue Plan Act (ARPA) available for the provision of government services, up to the amount of the recipient’s reduction in revenue due to the public health emergency, may be used to meet the non-federal match requirements of the DWSRF and CWSRF programs. EPA will be providing a fact sheet in the near future to state SRF programs to support utilization of this additional flexibility.

The proposed sources and uses of the DWSRF for this IUP are as follows:

| SOURCES OF FUNDS | BIPARTISAN INFRASTRUCTURE LAW, 2021 (BIL) | TOTAL |
|---|---|---------------------|
| Grant Funds ^v | \$17,992,000 | \$17,992,000 |
| State Match (10%) | 1,799,200 | 1,799,200 |
| Total Resources | \$19,791,200 | \$19,791,200 |
| USES SET-ASIDES** (ref. to Sec. 4, Set Asides, for detailed description of allocations) | | |
| Administration (4%) | \$719,680 | \$719,680 |
| Technical Assistance (2%) | \$359,840 | \$359,840 |
| State Program Management (6%) | \$1,079,520 | 1,079,520 |
| Total Set Asides | \$2,159,040 | \$2,159,040 |
| Amount available for Projects Financial Agreement | | \$17,632,160 |
| FINANCIAL AGREEMENT DISCLOSURE | | |
| Mandatory Congressional Subsidy is overrode by BIL | | OVERRODE |
| Additional 49% Disadvantage Comm Subsidy | | \$ 8,816,080 |
| TOTAL AMOUNT FOR LOAN | | \$ 8,816,080 |
| <p>^v Of the capitalization grant amount, ONLY ONE subsidy is established by the BIL. 49% of the capitalization grant will be awarded as additional subsidization. This subsidy is in the form of principal forgiveness and zero percent interest rate. It will only be awarded to systems that meet the definition of disadvantaged community criteria</p> <p>* State matching funds in the amount of \$1,799,200 will be provided by the Office of Management and Budget of the Government of Puerto Rico.</p> <p>** The set-asides monies from the BIL, were established as follows: 4% or \$719,680 for the Administration of the Program and 2% or \$359,840 for the Technical Assistance set-aside. Out of the 10% corresponding to the State Program Management set-aside under the BIL only four percent (6%) or \$1,079,520 or will be banked. DOH reserves the authority to take from future capitalization grants funds not requested under the provisions of the BIL.</p> | | |

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 is a sufficient number of 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 since the inception of the Program.

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR | | | | | | |
|---|-------------------------------|---------------------|----------------------|---------|--------------|--------------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 97-98 | Naguabo-Río Blanco | | \$ 12,393,319 | 141,308 | | |
| | Mayaguez-Ponce de León | | \$ 4,827,235 | 150,000 | | |
| | Guayama-Carite | \$ 2,880,963 | | 5,575 | | |
| | Yabucoa-Guayabota | \$ 2,383,802 | | 1,096 | | |
| | Guayama-Culebras | \$ 584,720 | | 1,193 | | |
| | Utuaado-Urbana | | \$ 1,419,775 | 25,068 | | |
| | \$24,489,814 | \$ 5,849,485 | \$ 18,640,329 | | 23.89 | 23.89 |
| 1999 | Naguabo-Río Blanco | | \$ 4,322,131 | 141,308 | | |
| | Río Grande-El Yunque | | \$ 7,894,907 | 48,000 | | |
| | \$12,217,038 | \$ - | \$ 12,217,038 | | 0.00 | 15.94 |
| 2000 | Mayaguez-Ponce de León | | \$ 4,851,945 | 150,000 | | |
| | Guayama-Carite | \$ 195,857 | | 5,575 | | |
| | Yabucoa-Guayabota | \$ 914,198 | | 1,096 | | |
| | Guayama-Culebras | \$ 215,280 | | 1,193 | | |
| | Utuaado-Urbana | | \$ 1,920,225 | 25,068 | | |
| | Río Grande-El Yunque | | \$ 4,599,587 | 48,000 | | |
| | \$12,697,092 | \$ 1,325,335 | \$ 11,371,757 | | 10.44 | 14.52 |
| Transfer | Tanque Sergio Cuevas | | \$ 11,055,165 | 771,169 | | |
| | \$11,055,165 | \$ - | \$ 11,055,165 | | 0.00 | 11.87 |
| 2001 | Río Grande-El Yunque | | \$ 11,900,870 | 48,000 | | |
| | Mayaguez-Ponce de Leon | | \$ 848,662 | 150,000 | | |
| | \$12,749,532 | \$ - | \$ 12,749,532 | | 0.00 | 9.80 |
| 2002 | Añasco-Nueva | | \$ 12,245,082 | 28,348 | | |
| | \$ 12,245,082 | \$ - | \$ 12,245,082 | | 0.00 | 8.40 |
| 2003 | Las Marias | | \$ 12,171,438 | 20,000 | | |
| | \$12,171,438 | \$ - | \$ 12,171,438 | | 0.00 | 7.35 |
| 2004 | Naguabo-Cubuy (IA, IB & II) | \$ 6,247,832 | | 3,541 | | |
| | Hatillo-Camuy WTP | | \$ 2,873,000 | 22,360 | | |
| | Naranjito-Anones | \$ 1,551,238 | | 2,172 | | |
| | Morovis-Sana Muerto | \$ 1,954,000 | | 3,285 | | |
| | \$12,626,070 | \$ 9,753,070 | \$ 2,873,000 | | 77.25 | 15.35 |
| 2005 | Yauco Urbano Nueva | | \$ 13,262,520 | 16,000 | | |
| | \$13,262,520 | \$ - | \$ 13,262,520 | | 0.00 | 13.71 |
| 2006 | Añasco-Nueva | | \$ 8,498,531 | 28,348 | | |
| | Caguas Norte Filtration Plant | | \$ 4,230,178 | 140,500 | | |
| | \$12,728,709 | \$ - | \$12,728,709 | | 0.00 | 12.69 |
| 2007 | Río Grande-El Yunque | | \$ 11,628,071 | 48,000 | | |
| | \$11,628,071 | \$ - | \$ 11,628,071 | | 0.00 | 11.67 |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues... | | | | | | |
|--|--|---------------------|---------------------|---------|--------------|--------------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2008 | Yauco Urbano Nueva | | \$ 5,254,345 | 48,000 | | |
| | Naguabo-Río Blanco & Maizales Phases (1A, 1B & II) | \$ 1,810,903 | | 4,036 | | |
| | Naranjito - PF Anones | \$ 560,633 | | 3,120 | | |
| | Hatillo - PF Camuy-Hatillo | | \$ 1,819,316 | 39,200 | | |
| | \$9,445,197 | \$ 2,371,536 | \$ 7,073,661 | | 25.11 | 12.49 |
| 2008 | Hatillo – PF Camuy-Hatillo | | \$ 2,276,000 | 39,200 | | |
| | Las Marias-Phase I – Overrun | | 1,006,036 | 7,871 | | |
| | \$3,282,036 | \$ - | \$ 3,282,036 | | 30.71 | 12.87 |
| 2009 | Caguas Norte Filtration Plant* | | \$ 769,822 | 140,500 | | |
| | Guayama Urbano WTP | | 3,453,190 | 14,752 | | |
| | Arecibo WTP | \$ 1,888,800 | | 3,700 | | |
| | Camuy WDS (II) | | 3,400,000 | 80,189 | | |
| | San Germán | | 2,790,000 | 19,500 | | |
| | Lares -Phase III | 1,412,330 | | 693 | | |
| | Lares -Phase II | 1,607,071 | | 565 | | |
| | Trujillo Alto-Sergio Cuevas WTP | | 1,410,202 | 771,169 | | |
| | Ciales -Las Delicias WTP | 1,537,920 | | 935 | | |
| | Caguas Sur Filtration Plant | | 1,020,000 | 34,000 | | |
| | \$19,289,335 | \$ 6,446,121 | \$12,843,214 | | 33.42 | 15.11 |
| 2010 | Morovis Sur WTP | | \$ 4,257,757 | 14,570 | | |
| | Morovis Urbano WTP | 2,000,000 | | 9,714 | | |
| | Cedro Arriba WTP-Naranjito | 2,222,646 | | 9,873 | | |
| | Añasco Water Intake | | 4,636,745 | 88,144 | | |
| | Hatillo Raw Water Intake | | 5,000,000 | 39,200 | | |
| | Rochas WTP-Moca | 3,000,000 | | 2,357 | | |
| | La Máquina WTP- Sabana Grande | 2,000,000 | | 3,207 | | |
| | Hatillo-Camuy – Phase II Overrun | | 3,984,502 | 39,200 | | |
| | Lajas-San Germán, Trans Lines-OR | | 4,008,664 | 55,050 | | |
| | \$23,117,148 | \$ 9,222,646 | \$13,894,502 | | 39.90 | 17.97 |
| 2011 | Valenciano WTP, Juncos | | \$19,645,275 | 22,137 | | |
| | Camuy-Hatillo-Quebradillas, Ph. II | | 1,883,600 | 39,200 | | |
| | \$21,528,875 | | \$21,528,875 | | 0.00 | 16.02 |
| 2012 | Valenciano WTP, Juncos | | **\$ 7,814,489 | 22,137 | | |
| | Las Mariás, Phase II-B | 2,000,000 | | 7,871 | | |
| | \$ 9,814,489 | \$ 2,000,000 | \$ 7,814,489 | | 0.00 | 15.35 |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues | | | | | | |
|---|--------------------------------------|--------------------|----------------------|----------------|---------------|---------------|
| | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2013 | Coto Laurel WTP | | **\$ 4,000,000 | 14,060 | | |
| | Ponce Vieja WTP | | 4,036,172 | 170,075 | | |
| | Ponce Nueva WTP | | 4,918,195 | 170,075 | | |
| | \$12,954,367 | \$ - | \$12,954,367 | | 0.00% | 15.35% |
| 2014 | Guayama Urbano WTP-Overrun | | 865,844 | 14,752 | | |
| | Camuy-Hatillo-Quebradillas, Ph. II | | 6,419,231 | 39,200 | | |
| | Lajas-San Germán, Trans Lines-OR | | 1,105,698 | 55,050 | | |
| | Ciales -Las Delicias WTP | \$3,237,886 | | 935 | | |
| | Guajataca WTP, Isabela | | 1,596,661 | 11,400 | | |
| | Guaraguo WTP, Ponce | 500,000 | | 3,800 | | |
| | Jayuya Urbano WTP, Jayuya | | 2,393,410 | 12,500 | | |
| | Cerro Gordo WTP, San Lorenzo | | 500,000 | 28,000 | | |
| | Toa Vaca WTP, New Sed. Tank | | 500,000 | 40,000 | | |
| | Fajardo WTP, Fajardo | | 763,000 | 35,000 | | |
| | Cerro Gordo Raw Water Intake, SL | | 500,000 | 28,000 | | |
| | \$18,381,730 | \$3,737,886 | \$14,643,844 | | 18.80% | 17.57% |
| 2015* | Valenciano-WTP, Juncos | | \$5,357,556 | 52,500 | | |
| | Caguas-Norte Filtration Plant | | 216,218 | 140,500 | | |
| | Guayama-Urbano-WTP | | 644,778 | 14,752 | | |
| | Arecibo-Esperanza | \$109,208 | | 3,700 | | |
| | Coto Laurel WTP, Ponce | | 2,957,428.00 | 14,060 | | |
| | Morevis-Sur-WTP | | —1,076,952.00 | 14,570 | | |
| | Ponce Vieja WTP (Elimn) | | 6,917,614.39 | 170,075 | | |
| | Ponce Nueva WTP | | 5,302,352.00 | 170,075 | | |
| | Morevis-Urbano-WTP | - | —2,313,506.00 | 9,714 | | |
| | Cedro-Arriba-WTP | 2,112,535 | - | 9,873 | | |
| | Enrique-Ortega (La Plata)-FP | | 801,449 | 291,000 | | |
| | Caguas-Sur-Filtration Plant | - | —2,145,130.00 | 34,000 | | |
| | La-Rocha-WTP, Moca | —230,000.00 | | 2,357 | | |
| | La-Máquina-WTP, Sab. Grande | 918,702 | - | 3,207 | | |
| | Hatillo Raw Water Intake | | \$ 3,716,793.61 | 39,200 | | |
| | \$18,894,188 | \$ - | 18,894,188.00 | | 0.00% | 16.40% |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR, continues | | | | | | |
|--|--------------------------------|-------------|--------------|---------|-------|--------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2016* | Valenciano WTP, Juncos | - | \$5,000,000 | 52,500 | | |
| | Ponce Vieja WTP—New Tank | - | 5,000,000 | 25,715 | | |
| | Vega Baja WTP | - | 3,500,000 | 18,625 | | |
| | Corozal Urbana WTP | \$1,400,000 | - | 6,363 | | |
| | Jiménez WTP, Río Grande | 140,000 | - | 1,230 | | |
| | Caguas Norte Filtration Plant | - | 50,000 | 140,500 | | |
| | Guayama Urbano WTP | - | 100,000 | 14,750 | | |
| | Arecibo WTP | 100,000 | - | 3,700 | | |
| | Camuy | - | 100,000 | 80,189 | | |
| | San Germán | - | 100,000 | 19,500 | | |
| | Coto Laurel WTP, Ponce | | 1,898,424 | 14,060 | | |
| | Morovis Sur WTP | - | 100,000 | 14,560 | | |
| | Ponce Vieja WTP, Ponce (Elimn) | - | 100,000 | 170,075 | | |
| | Ponce Nueva WTP, Ponce | | 5,914,856 | 170,075 | | |
| | Morovis Urbana WTP | 100,000 | - | 9,714 | | |
| | Cedro Arriba WTP—Naranjito | 100,000 | - | 9,873 | | |
| | Las Marías, Phase IIB | 1,000,000 | - | 7,871 | | |
| | Ciales—Las Delicias WTP | 100,000 | - | 935 | | |
| | Guajataca WTP, Isabela | - | 500,000 | 11,400 | | |
| | Enrique Ortega (La Plata) FP | - | 500,000 | 291,000 | | |
| | Caguas Sur Filtration Plant | - | 200,000 | 34,000 | | |
| | Guaraguao WTP, Ponce | 500,000 | - | 3,800 | | |
| | Añasco Water Intake | | 10,858,251 | 88,144 | | |
| | Hatillo Raw Water Intake | | 709,536 | 39,200 | | |
| | Rochas WTP—Moca | 55,000 | - | 2,357 | | |
| | La Máquina WTP—Sab. Grande | 50,000 | - | 3,207 | | |
| | Jayuya Urbano WTP, Jayuya | - | 50,000 | 12,500 | | |
| | Cerro Gordo WTP, San Lorenzo | - | 1,000,000 | 28,000 | | |
| Toa Vaca WTP, Villalba | - | 100,000 | 400,000 | | | |
| Cero Gordo Raw Water Intake | - | 500,000 | 28,000 | | | |
| Gurabo WTP, Gurabo | - | 50,000 | 15,000 | | | |
| | \$19,381,067 | \$0 | \$19,381,067 | | 0.00% | 15.40% |

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues

| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
|-------|---|-------------|---------------------|---------|--------------|---------------|
| 2017* | Vega Baja WTP | - | \$1,000,000 | 18,625 | | |
| | Corozal Urbana WTP | \$1,000,000 | - | 6,363 | | |
| | Valenciano WTP, Juncos † | - | 3,929,000 | 52,500 | | |
| | Jiménez WTP, Río Grande | 712.97 | - | 1,230 | | |
| | Ponce Vieja WTP Distrb Tank, Ponce | - | 3,000,000 | 170,075 | | |
| | Coto Laurel WTP, Ponce | | 1,389,249 | | | |
| | Ponce Vieja WTP, Ponce (Elimn) | | 6,604,521 | | | |
| | \$7,993,770 | \$0 | \$7,993,770 | | 0.00% | 14.97% |
| 2018* | Corozal Urbana WTP, Corozal | \$961,000 | - | 6,363 | | |
| | Valenciano WTP, Juncos OJO-poner las 2 cruces | - | \$2,000,000 | 52,500 | | |
| | Termination of Valenciano WTP, Juncos | | 1,455,080 | 52,500 | | |
| | Coto Laurel WTP, Ponce | | 1,000,000 | 14,060 | | |
| | Ponce Vieja WTP, Ponce | | 2,000,000 | 170,075 | | |
| | Ponce Nueva WTP, Ponce | | 1,000,000 | 170,075 | | |
| | Culebrinas WTP, Aguadilla, Phase II | | 2,000,000 | 142,486 | | |
| | Enrique Ortega (La Plata) FP, Vega Alta | - | 500,000 | 291,000 | | |
| | Culebrinas Raw Water Intake, Phase I, Aguadilla | - | 1,800,000 | 142,486 | | |
| | Cerro Gordo WTP, San Lorenzo | | 2,000,000 | 28,000 | | |
| | Cerro Gordo Raw Water Intake, S Lor | | 2,000,000 | 28,000 | | |
| | Hatillo Raw Water Intake, Hatillo | | 1,000,000 | 39,200 | | |
| | Añasco Water Intake, Añasco | | 400,500 | 88,144 | | |
| | Termination of Toa Vaca, Villalba | | 1,000,000 | 40,000 | | |
| | \$11,855,580 | | \$11,855,580 | | 0.00% | 14.40% |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues | | | | | | |
|---|--|-------------|--------------|---------|-------|--------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2019+ | Corozal Urbana WTP, Corozal | \$73,377 | | 6,363 | | |
| | Coto Laurel WTP, Ponce | | \$1,014,108 | 14,060 | | |
| | Ponce Vieja WTP, Ponce | | 2,014,108 | 170,075 | | |
| | Ponce Nueva WTP, Ponce | | 1,014,108 | 170,075 | | |
| | Hatillo Raw Water Intake, Hatillo | | 790 | 39,200 | | |
| | Culebrinas Raw Water Intake, Phase I, Aguadilla | - | 2,014,108 | 142,486 | | |
| | Termination of Toa Vaca, Villalba | | 1,014,108 | 40,000 | | |
| | Termination of Valenciano WTP, Juncos | | 5,161,850 | 52,500 | | |
| | Cerro Gordo WTP, San Lorenzo | | 2,028,216 | 28,000 | | |
| | Cerro Gordo Raw Water Intake, S Lor | | 2,014,108 | 28,000 | | |
| | \$15,050,606 | | \$15,050,606 | | 0.00% | 13.80% |
| 2020* | Culebrinas Raw Water Intake, Aguadilla, Phase I | | \$3,000,000 | 142,486 | | |
| | Culebrinas WTP, Aguadilla, Ph. II | - | 2,645,252 | 142,486 | | |
| | Ponce Vieja WTP, Ponce | | 3,000,000 | 27,215 | | |
| | Cerro Gordo WTP, San Lorenzo | | 2,000,000 | 28,000 | | |
| | Cerro Gordo Raw Water Intake, S Lor | | 3,000,000 | 28,000 | | |
| | Termination of Juncos Valenciano | | 1,552,540 | 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 | | |
| | \$17,552,540 | | \$17,552,540 | | 0.00% | 13.10% |
| 2021 | Culebrinas Raw Water Intake, 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, San Lorenzo | | 3,000,000 | 28,000 | | |
| | Termination of Juncos Valenciano | | 10,082,682 | 52,500 | | |
| | Ponce Nueva WTP, Ponce | | 3,000,000 | 170,075 | | |
| | New CT / Distribution Tank FP Corozal (Termination), Corozal | \$2,180,000 | | 6,363 | | |
| | Termination of Toa Vaca | | 3,000,000 | 40,000 | | |
| | Salinas WTP | - | 8,000,000 | 29,239 | | |
| | \$29,362,682** | \$2,180,000 | \$27,182,682 | | 7.40% | 12.70% |

| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues | | | | | | |
|---|--|---------------------|----------------------|-----------|--------------|---------------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2022 BASE | New CT / Distribution Tank FP Corozal (Termination), 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 Marqu ez WDS, Arecibo | | 4,000,000 | 81,548 | | |
| | Cerro Gordo WTP, San Lorenzo | | 500,000 | 28,000 | | |
| | Cerro Gordo Raw Water Intake, San Lorenzo | | 788,320 | 28,000 | | |
| | New CT / Distribution Tank FP Corozal (Termination), Corozal | \$500,000 | | 6,363 | | |
| | \$12,288,320 | \$500,000 | \$11,788,320 | | 4.1% | 12.40% |
| 2022 BIL LSLR | Service Line Inventory- Metro | | \$ 2,000,000 | 1,132,799 | | |
| | Service Line Inventory- North | | 2,000,000 | 543,090 | | |
| | Service Line Inventory- South | | 2,000,000 | 668,845 | | |
| | Service Line Inventory- East | | 2,000,000 | 474,311 | | |
| | Service Line Inventory- West | | 2,000,000 | 641,028 | | |
| | \$ 10,000,000 | \$ 0 | \$ 10,000,000 | | 0% | 12.6% |
| 2022 BIL EC | Manganese Control WTP Guajataca, Isabela | | \$ 2,000,000 | 11,623 | | |
| | Manganese Control WTP Cidra Urbano | | 1,500,000 | 30,758 | | |
| | Manganese Control WTP Comerio Urbano | | 2,000,000 | 10,693 | | |
| | Manganese Control WTP Aibonito La Plata | | 555,000 | 15,973 | | |
| | Manganese Control WTP Isabela | \$ 1,500,000 | | 6,115 | | |
| | \$ 7,555,000 | \$ 1,500,000 | \$ 6,055,000 | | 19.9% | 12.7% |

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| ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues | | | | | | |
|---|--|---------------------|----------------------|---------|--------------|--------------|
| YEAR | PROJECT NAME | < 10,000 | > 10,000 | POP. | % | CUM % |
| 2022 BIL Genl. Suppl. | Aibonito La Plata WDS Improvements | | \$ 2,000,000 | 15,973 | | |
| | Vieques-Naguabo WDS Improvements | | 2,500,000 | 82,557 | | |
| | RWI pipe from Penstock Carite III to Guayama WTP | | 1,576,069 | 34,671 | | |
| | Ponce en Marcha IVB - Ponce Urbano WDS | | 4,000,000 | 122,229 | | |
| | Ponce en Marcha IVC - Ponce Urbano WDS | | 2,000,000 | 122,229 | | |
| | Bo. Rio Cañas WDS Improv.- Mayaguez | | 1,635,611 | 151,538 | | |
| | Jagual WTP Improvements, San Lorenzo | \$ 2,000,000 | | 5,443 | | |
| | 8" Pipe replace. Camino Nuevo- Yabucoa | | 3,000,000 | 11,050 | | |
| | \$ 17,632,160 | \$ 2,000,000 | \$ 15,632,160 | | 11.3% | 11.9% |

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.

† Redistribution of 2019 funds due to Reallotment of \$99,000 awarded to PRDWSRF.

** 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, under the regular program base allotment 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 to broaden the scope of communities that can access these funds.

4.0 TYPES OF PROJECTS TO BE FUNDED

Under the BIL, all the Projects eligible for DWSRF financing continue being eligible and includes 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 BIL, and under the general supplemental provision, all eligible DWSRF projects and activities can be funded from this particular appropriation. Thus, there is funding for the entire lead service line, which now must be replaced there is also funding for specific projects such as the ones previously mentioned. With the Bipartisan Act, 2018 implementation in fiscal year 2020, 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 two “possible” eligibilities have emerged:

- a. “to help address a threat to public health from heightened exposure to lead in drinking water or if a Federal or State emergency declaration has been issued due to a threat to public health from heightened exposure to lead in a municipal drinking water supply, (i.e., Complete service line replacement is defined by replacing pipes up to the point of premise plumbing. Service lines consist of a

publicly owned section and a privately-owned section. The publicly owned portion of a service line is Clean Water Act §603(d)(IXA) the section connected to the water main and running up to the property line. The privately-owned portion is the section running from the property line to connection to the premise plumbing (generally at an isolation valve). Replacement of the entire service line is DWSRF-eligible; and

- b. to assist areas affected by natural disasters where the definition of community water systems meaning is given in accordance to section 1401(15) of the SDWA (42U.S.C. 300f(15)), an eligible state means a state as defined by section 1401(13)(B) of the SDWA(42U.S.C. 300f(13)(B)) and eligible system means a community water system.”

It is important to know that “replacing or rehabilitating aging treatment, storage or distribution facilities of public water systems are DWSRF-eligible”. As indicated, “these activities were DWSRF-eligible prior to the AWIA amendments and are now spelled out in the SDWA.”

The Commonwealth will continue using DWSRF funds for these activities. Also, are spelled out as eligible in the law, the consolidation or transfer of ownership 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.

As we indicated in prior IUPs, since fiscal year 2018, as a result of the approval of the Bipartisan Budget Act of 2018, funds may be used for eligible projects whose purpose is to repair damages incurred as a result of the Hurricanes Irma and María, reduce-flood damages risk and vulnerability

or to enhance resiliency to rapid hydrologic change for a natural disaster at a public drinking water system under Section 1452 of the SDWA. The projects benefited and the amounts assigned from the Bipartisan Budget Act of 2018 were included in the Robust Project Readiness List of FY 2021, 2022 and 2023. We are hereby referencing the Bipartisan Budget Act of 2018 due to the fact that this IUP may include a robust list of projects that may be benefited by this Act.

In addition to the base DWSRF allotment for this fiscal year, EPA has indicated and emphasized also the approval of the BIL , that assigns to Puerto Rico’s DWSRF program approximately \$53.8 million per year for the next five years to be used as an investment increase to strengthen the nation’s drinking water systems.

The BIL, which includes new “flexibility” provisions applicable to the base DWSRF programs that, unless otherwise directed, are also applicable to projects in whole or part with BIL funds, states that: “With supplemental funding to the CWSRF and DWSRF – and creation of dedicated funding within the SRFs to tackle lead and emerging contaminants – states have a great deal of flexibility in program administration.” The BIL appropriations includes funding for use from FY 2023 to FY 2026 for addressing urgent water challenges for all communities especially disadvantaged communities to: (1) replace lead service lines, (2) address emerging contaminants and (3) a general supplemental provision. Regarding DWSRF lead service line replacement projects or associated activity directly connected to the identification, planning, design, and replacement of lead service lines, the BIL requires that the project should replace the entire lead service line, unless a part has been already replaced or is in the process of replacement with another funding source.

Concerning the Green infrastructure, and as mentioned in Section 1.2, the Further Consolidated, 2020, the Consolidated, 2021 and the Consolidated, 2022 states that: *“Provided further, That for fiscal year 2020, that 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”*.

The Commonwealth requested the Puerto Rico Aqueduct and Sewer Authority (PRASA) applications for green projects. In addition, DOH through public announcements has indicated the availability of funds for green infrastructure. Notwithstanding no applications and/or no eligible project applications for green infrastructure were received. Therefore, there will be no projects identified as such in the Project Priority List. Notwithstanding in the Attachment V - *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. The anticipated outputs and outcomes of the projects included in this Intended Use Plan are:

| Outputs | Outcomes |
|---|---|
| Two (2) loan agreements * | Improve compliance for systems receiving DWSRF assistance |
| Increase the cumulative disbursement rate to 72% | Increase the speed at which projects are proceeding towards completion |
| Increase cumulative projects completion to 75% | Improve compliance with SDWA by increasing number of projects initiating operations |
| * The loan corresponding to fiscal year capitalization grant 2019-2021 is pending execution by PRIFA. | |

Following is the Priority list detailing all types of projects to be funded under this Intended Use Plan for the General Supplemental provision of the BIL. Also, the proposed fund disbursement schedules are presented.

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Puerto Rico Department of Health
Drinking Water State Revolving Fund Program

**PROJECT READINESS LIST FISCAL YEAR 2022- ROBUST LIST
BIPARTISAN INFRASTRUCTURE LAW (BIL) GENERAL SUPPLEMENTAL
2023**

| Name of Public Water System/ PWS I.D. | Priority | | Project Description | Pop. | Read. date | Estimated Assistance (\$) | Estimated Project Cost | GPR Amt (\$)* | Disadvantage Community Additional Subsidy** (\$) |
|--|----------|--------|--|---------|--------------|---------------------------|------------------------|---------------|--|
| | Rank | Points | | | | | | | |
| Jagual WTP, San Lorenzo I.D. 5416 | 1 | 55 | D/B Filter replacements at Jagual WTP | 5,443 | 5-23 | \$ 2,000,000 | 6,000,000 | 0 | \$ 0 |
| Ponce Playa IVB - Ponce Urbano WDS I.D. 3824 (c) | 2 | 41.22 | Ponce Playa - Ponce Urbano WDS, IV-B | 122,229 | 5-23 | 4,000,000 | 6,065,340 | 0 | 4,000,000 |
| Rio Cañas WDS, Mayagüez-I.D. 3283(c) | 3 | 50 | Bo. Rio Cañas WDS Improvements | 151,538 | 4-23 | 1,635,611 | 1,635,611 | 0 | 1,635,611 |
| Ponce Playa IVC- Ponce Urbano WDS I.D. 3824 (d) | 4 | 41.22 | Ponce Playa - Ponce Urbano WDS, IV-C | 122,229 | 9-24 | 2,000,000 | 4,082,102 | 0 | 0 |
| Aibonito La Plata I.D. 4545 (a) | 5 | 40.16 | Aibonito La Plata WDS Improvements | 15,973 | 8-22 | 2,000,000 | 2,589,796 | 0 | 0 |
| Vieques-Naguabo I.D. 5386 (b) | 6 | 31 | Vieques-Naguabo WDS Improvements | 82,557 | 7-22 | 2,500,000 | 3,162,376 | 0 | 2,500,000 |
| Camino Nuevo WDS, Yabucoa I.D. 5196 | 7 | 30 | D/B 8" Pipe replacement WDS Camino Nuevo- | 11,150 | 5-23 | 2,000,000 | 3,774,536 | 0 | 0 |
| Penstock Carite II I.D. 4745 (b) | 8 | 10 | Raw Water pipe from Penstock Carite III to Guayama WTP | 34,671 | 6-23 | 816,080 | 3,379,769 | 0 | 680,469 |
| TOTAL | | | | | TOTAL | \$16,951,691 | \$30,689,530 | 0 | \$8,816,080 |

Puerto Rico Department of Health
Drinking Water State Revolving Fund Program
MULTI YEAR LIST - FISCAL YEAR 2022 BIL GENERAL SUPPLEMENTAL
MAY, 2022

| Name Public Water System | PWS ID | Priority | | Project Description | Population | Readiness to go | Estimated Project Cost |
|--------------------------------------|----------|----------|--------|--|------------|-----------------|------------------------|
| | | Rank | Points | | | | |
| Lead SL Inventory-Metro* | 2591 (f) | 1 | 26.30 | Lead SL Inventory-Metro | 1,132,799 | 5-23 | 2,000,000 |
| Lead SL Inventory-South* | 3824 (e) | 2 | 24.95 | Lead SL Inventory-South | 494,646 | 5-23 | 2,000,000 |
| Lead SL Inventory-West* | 2672 (a) | 3 | 24.74 | Lead SL Inventory-West | 474,311 | 5-23 | 2,000,000 |
| Lead SL Inventory-North* | 2652 (b) | 4 | 23.99 | Lead SL Inventory-North | 399,292 | 5-23 | 2,000,000 |
| Lead SL Inventory-East | 4545 (c) | 5 | 21.76 | Lead SL Inventory-East | 675,533 | 5-23 | 2,000,000 |
| WTP Comerio Urbano - Manganese * | 4705 (a) | 1 | 45.00 | Comerio Urbano WTP - Manganese Control | 10,693 | 5-24 | 5,000,000 |
| WTP Guajataca, Isabela- Manganese* | 3772 | 2 | 35.46 | Guajataca WTP- Manganese Control | 11,623 | 11-23 | 15,000,000 |
| WTP Isabela, Isabela- Manganese* | 2672 | 3 | 35.12 | Isabela WTP -Manganese Control | 46,115 | 11-23 | 9,910,913 |
| WTP Cidra Urbano, Cidra - Manganese* | 4695 | 4 | 30.31 | Cidra Urbano WTP -Manganese Control | 30,758 | 3-24 | 5,000,000 |
| WTP Aibonito La Plata - Manganese* | 4545 (b) | 5 | 30.16 | Aibonito La Plata WTP - Manganese Control | 15,973 | 4-24 | 5,000,000 |
| Comerio Urbano WDS | 4705 | ** | ** | 2MGD Tank and WDS Improvements- Comerio | 10,693 | ** | 2,614,482 |
| Cruz PS/Voladoras TK | 3293 | ** | ** | Cruz PS-Voladoras Tank Relocation- Aguadilla | 124,044 | ** | 394,420 |

Puerto Rico Department of Health
 Drinking Water State Revolving Fund Program
 MULTI YEAR LIST - FISCAL YEAR 2022 BIL GENERAL SUPPLEMENTAL
 MAY, 2022

| Name Public Water System | PWS ID | Priority | | Project Description | Pop. | Readiness to go date | Estimated Project Cost |
|--------------------------|----------|----------|--------|---|--------------|----------------------|------------------------|
| | | Rank | Points | | | | |
| Lago Calero PS Elec. | 3293 (a) | ** | ** | Raw Water PS Lago Calero Elect. Improv. - Aguadilla | 124,044 | ** | 404,250 |
| Campo Alegre | 2652 (a) | ** | ** | New WDS Campo Alegre Sectores 10 - Arecibo/Hatillo | 81,548 | ** | 3,605,753 |
| | | | | | TOTAL | TOTAL | \$56,929,818 |

* These projects have received funding from FY2022 BIL-LSLR and EC. Nonetheless, are included in this Project Readiness List as these projects are eligible under this General Supplemental funding too.

** "Priority points calculation" and the "readiness to go date" is pending until the necessary data is provided by PRASA. The ranking depends also on that information.

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

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

**AIBONITO LA PLATA WDS IMPROV.
PWS ID 4545 (a)**

| Source | Cost | Terms (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|------------|-------------|---------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Loan (F/S) | \$2,000,000 | 30 | 1.0% | 2-26 | Loan | 2+3 | 9-23 | 12-23 | 12-24 | 2-25 |

**AIBONITO LA PLATA WDS IMPROV.
PWS ID 4545 (a)**

Loan Portion

| Cash Draw Proportion | FY 2024 | | | FY 2025 | | TOTAL |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 2 QTR | 3 QTR | 4 QTR | 1 QTR | 2 QTR | |
| Fed. 89.80% | \$ 359,184 | \$ 359,184 | \$ 359,184 | \$ 359,184 | \$ 359,184 | \$1,795,920 |
| State 10.20% | \$ 40,816 | \$ 40,816 | \$ 40,816 | \$ 40,816 | \$ 40,816 | \$ 204,080 |
| TOTAL | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$2,000,000 |

**DISADVANTAGED COMMUNITY SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR
FEDERAL AND STATE FUNDS**

**VIEQUES-NAGUABO WDS IMPROV.
PWSID 5386 (b)**

| Source | Cost | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|---------------------|-------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| Disad.Comm. Subsidy | \$2,500,000 | N/A | 0% | N/A | S | 2+3 | 5-23 | 8-23 | 2-24 | 4-24 |

**VIEQUES-NAGUABO WDS IMPROV.
PWSID 5386 (b)**

Disadvantaged Subsidy portion

| Cash Draw Proportion | FY 2024 | | | Total |
|-------------------------|-------------------|-------------------|-------------------|--------------------|
| | 1 QTR | 2 QTR | 3 QTR | |
| Fed. 89.80% | \$ 748,299 | \$ 748,299 | \$ 748,300 | \$2,244,898 |
| State 10.20% | \$ 85,034 | \$ 85,034 | \$ 85,034 | \$ 255,102 |
| Total | \$ 833,333 | \$ 833,333 | \$ 833,334 | \$2,500,000 |

**DISADVANTAGED COMMUNITY SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR
FEDERAL AND STATE FUNDS**

**PONCE EN MARCHA IVB - PONCE URBANO WDS
PWS ID 3824 c**

| Source | Cost | Loan Term (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Planning Start | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|-----------------------|-------------|-------------------|--------------|------------|------|------------------------|----------------|--------------|---------------|------------------|-------------------------|
| Disadv. Comm. Subsidy | \$4,000,000 | N/A | 1.0% | N/A | S | 2+3 | 11-19 | 9-21 | 1-24 | 6-25 | 8-25 |

| Cash Draw Proportion | PONCE EN MARCHA IVB - PONCE URBANO WDS PWS ID 3824 c | | | | | Total |
|-------------------------|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Disadvantaged Community Subsidy portion | | | | | |
| | FY 2024 | | FY 2025 | | | |
| | 3 QTR | 4 QTR | 1 QTR | 2 QTR | 3 QTR | |
| Fed. 89.80% | \$ 718,367 | \$ 718,367 | \$ 718,367 | \$ 718,367 | \$ 718,369 | \$ 3,591,837 |
| State 10.20% | \$ 81,633 | \$ 81,633 | \$ 81,633 | \$ 81,633 | \$ 81,631 | \$ 408,163 |
| Total | \$ 800,000 | \$ 800,000 | \$ 800,000 | \$ 800,000 | \$ 800,000 | \$ 4,000,000 |

**DISADVANTAGED COMMUNITY SUBSIDY AND LOAN TERMS AND DISBURSEMENT SCHEDULE
FOR FEDERAL AND STATE FUNDS**

**RAW WATER PIPE FROM PENSTOCK CARITE III TO GUAYAMA WTP
PWSID 4745 (b)**

| Source | Cost | Term (years) | Finance Rate | Repay Date | Type of Project (Step) | Planning Start | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|-----------------------|--------------------|--------------|--------------|------------|------------------------|----------------|--------------|---------------|------------------|-------------------------|
| Disadv. Comm. Subsidy | \$ 680,469 | N/A | 0% | N/A | 2+3 | 10-21 | 8-23 | 11-23 | 12-24 | 2-25 |
| Loan (F/S) | \$ 816,080 | 30 | 1.0% | 1-26 | | | | | | |
| Total | \$1,496,549 | | | | | | | | | |

**RAW WATER PIPE FROM PENSTOCK CARITE III TO GUAYAMA WTP
PWSID 4745 (b)**

Disadvantaged Community Subsidy Portion

| Cash Draw Proportion | FY2024 | | TOTAL |
|----------------------|-------------------|-------------|-------------------|
| | 2 QTR | 3 QTR | |
| Fed. - 89.80% | \$ 611,033 | \$ 0 | \$ 611,033 |
| State - 10.20% | \$ 69,436 | \$ 0 | \$ 69,436 |
| TOTAL | \$ 680,469 | \$ 0 | \$ 680,469 |

**RAW WATER PIPE FROM PENSTOCK CARITE III TO GUAYAMA WTP
PWSID 4745 (b)**

Loan Portion

| Cash Draw Proportion | FY2024 | | TOTAL |
|----------------------|-------------|-------------------|-------------------|
| | 2 QTR | 3 QTR | |
| Fed. - 89.80% | \$ 0 | \$ 732,807 | \$ 732,807 |
| State - 10.20% | \$ 0 | \$ 83,273 | \$ 83,273 |
| TOTAL | \$ 0 | \$ 816,080 | \$ 816,080 |

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

| PONCE EN MARCHA IVC - PONCE URBANO WDS PWSID 3824 (d) | | | | | | | | | | |
|--|-------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| 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/S) | \$2,000,000 | 30 | 1.0% | 6-26 | L | 2+3 | 3-21 | 2-24 | 7-25 | 9-25 |

| PONCE EN MARCHA IVC - PONCE URBANO WDS PWSID 3824 (d) | | | | | |
|--|------------|------------|------------|------------|-------------|
| Loan Portion | | | | | |
| Cash Draw Proportion | FY2024 | | FY2025 | | TOTAL |
| | 3 QTR | 4 QTR | 1 QTR | 2 QTR | |
| Fed. 89.80% | \$ 448,980 | \$ 448,980 | \$ 448,980 | \$ 448,978 | \$1,795,918 |
| State 10.20% | \$ 51,020 | \$ 51,020 | \$ 51,020 | \$ 51,022 | \$ 204,082 |
| TOTAL | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$2,000,000 |

**ADDITIONAL DISADVANTAGED SUBSIDY TERMS AND DISBURSEMENT SCHEDULE FOR
FEDERAL AND STATE FUNDS**

**BO. RIO CAÑAS WDS IMPROV. - MAYAGUEZ
PWSID 3283 (c)**

| Source | Cost | Terms (years) | Finance Rate | Repay Date | Type | Type of Project (Step) | Design Start | Constr. Start | Constr. Complete | Initiation of Operation |
|-----------------------|-------------|---------------|--------------|------------|---------|------------------------|--------------|---------------|------------------|-------------------------|
| Disadv. Comm. Subsidy | \$1,635,611 | N/A | 0% | N/A | Subsidy | 2+3 | 5-23 | 8-23 | 8-24 | 10-24 |

**BO. RIO CAÑAS WDS IMPROV. - MAYAGUEZ
PWSID 3283 (c)**

Subsidy portion

| Cash Draw Proportion | FY 2024 | | | | Total |
|----------------------|------------|------------|------------|------------|--------------|
| | 1 QTR | 2 QTR | 3 QTR | 4 QTR | |
| Fed. 89.80% | \$ 367,178 | \$ 367,178 | \$ 367,178 | \$ 367,178 | \$ 1,468,712 |
| State 10.20% | \$ 41,725 | \$ 41,725 | \$ 41,725 | \$ 41,724 | \$ 166,899 |
| Total | \$ 408,903 | \$ 408,903 | \$ 408,903 | \$ 408,902 | \$ 1,635,611 |

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

| DESIGN/BUILD JAGUAL WTP IMPROVEMENTS, SAN LORENZO PWSID 5416 | | | | | | | | | | |
|---|-------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| 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/S) | \$2,000,000 | 30 | 1.0% | 2-25 | L | 4 | 7-23 | 7-23 | 6-24 | 8-24 |

| DESIGN/BUILD JAGUAL WTP IMPROVEMENTS, SAN LORENZO PWSID 5416 | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| Loan Portion | | | | | |
| Cash Draw Proportion | FY2024 | | | | TOTAL |
| | 1 QTR | 2 QTR | 3 QTR | 4 QTR | |
| Fed. 89.80% | \$ 448,980 | \$ 448,980 | \$ 448,980 | \$ 448,980 | \$ 1,468,712 |
| State 10.20% | \$ 51,020 | \$ 51,020 | \$ 51,020 | \$ 51,020 | \$ 166,899 |
| TOTAL | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 2,000,000 |

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

| DESIGN/BUILD 8" PIPE REPLACEMENT WDS CAMINO NUEVO- YABUCOA PWSID 5196 | | | | | | | | | | |
|--|-------------|-------------------|--------------|------------|------|------------------------|--------------|---------------|------------------|-------------------------|
| 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/S) | \$2,000,000 | 30 | 1.0% | 2-26 | L | 4 | 7-23 | 7-23 | 12-24 | 2-25 |

| DESIGN/BUILD 8" PIPE REPLACEMENT WDS CAMINO NUEVO- YABUCOA PWSID 5196 | | | | | |
|--|------------|------------|------------|------------|--------------|
| Loan Portion | | | | | |
| | | | | | |
| 89.80% | \$ 448,980 | \$ 448,980 | \$ 448,980 | \$ 448,980 | \$ 1,468,712 |
| State 10.20% | \$ 51,020 | \$ 51,020 | \$ 51,020 | \$ 51,020 | \$ 166,899 |
| TOTAL | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 2,000,000 |
| | | | | | |
| | | | | | |

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 has determined to establish this fee. DOH will be requesting PRIFA to establish it and will be requesting to the Puerto Rico Finance Advisory Authority and Fiscal Agency (PRFAAFA) to assess PRASA's financial capacity to pay it. In addition, DOH 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, in addition to the payments required on the Financial Agreement, PRASA shall pay an administration fee payable at the closing date of the Agreement. For this current fiscal year funds (FY 2022) Supplemental this fee is of one-half (0.5%) percent of the loan amount for a total of \$440,804, will not be established. Should it be established then it will be deposited by the PRIFA, outside the Fund, in a separate Interest Bearing Account. It is the

intention of this Department to use these funds together with the interests earned, within other purposes, for state match.

6.0 TYPES OF ASSISTANCE AND FINANCIAL TERMS

DOH certifies that only the types of assistance authorized under the SDWA as amended, will be awarded from the DWSRF. The terms and conditions of the loans to be awarded are as authorized by the SDWA and its amendments. The amounts deposited into a State loan fund under this section may be used only:

- (1) to make loans, on the condition that
 - (A) the interest rate for each loan is less than or equal to the market interest rate, including an interest free loan;
 - (B) principal and interest payments on each loan will commence not later than *18 months* after completion of the project for which the loan was made;
 - (C) *each loan will be fully amortized* not later than 30 years after the completion of the project, except that in the case of a disadvantaged community (as defined in subsection (d)(3)) a State may provide an extended term for a loan, if the extended term
 - (i) terminates not later than the date that is *40* years after the date of project completion; and
 - (ii) does not exceed the expected design life of the project;

- (D) the recipient of each loan will establish a dedicated source of revenue (or, in the case of a privately owned system, demonstrate that there is adequate security) for the repayment of the loan; and
 - (E) the State loan fund will be credited with all payments of principal and interest on each loan;
- (2) to buy or refinance the debt obligation of a municipality or an inter-municipal or interstate agency within the State at an interest rate that is less than or equal to the market interest rate in any case in which a debt obligation is incurred after July 1, 1993;
 - (3) to guarantee, or purchase insurance for, a local obligation (all of the proceeds of which finance a project eligible for assistance under this section) if the guarantee or purchase would improve credit market access or reduce the interest rate applicable to the obligation;
 - (4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of the bonds will be deposited into the State loan fund; and
 - (5) to earn interest on the amounts deposited into the State loan fund.”

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.

As stated previously and in accordance with the SDWA “all DWSRF eligible projects and set aside activities may be funded from the supplemental provision appropriation .”

Due to the above-mentioned thus, it cannot be disregarded that financial terms may vary for the loans that will be executed and that are impacted by the different year’s applicable laws. Therefore, for these years there might be a change in the terms and conditions of the Financial Agreements that will be executed, and these also may consider grant condition established by EPA.

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. Historically the loan interest rate has been 2% and the financing term has been 20 years This changed with PRASA ‘s debt restructure. Additionally, as stated above, the AWIA provides for a change in the financing term to 30 years in the case of the disadvantage communities, to 40 years and/or useful life of the project’s components. 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. DOH is waiting for PRIFA's execution of the loan corresponding to the FY 2019 through 2021 funds. It must be noted that this has to be approved by several agencies and by PROMESA.

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*) 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 established in conformity with the requirements and applicable federal regulations as long as or to the extent that there are sufficient application 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

The provisions of the BIL, state that: "Provided further, That for the funds made available under this paragraph in this Act forty-nine percent of the funds made available to each State for the Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreement with 100% percent forgiveness of principal for grants (or any combination of these) notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C. 300j-12) Thus this Department must provide additional subsidization to water systems that meet the state disadvantaged community criteria as described in section 1452(d) of the SDWA. The SDWA defines a advantaged community as "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"² The recipient of the grant must identify projects within at least one of the following qualifying categories in order to receive points under the additional 49% subsidy criterion:

² 42 U.S.C. 300j-12(d)(3)

- 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 directly serving 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 there are more 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 49% subsidy will be distributed until the subsidized amount is completely used and among the eligible projects (See **Appendix I**) as follows:

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

Please note that, notwithstanding the distributed amount by the above priorities, the subsidized amount could be re-awarded due to unforeseen circumstances (i.e. projects delayed, among others). The re-award may be in any of the following manners and until the subsidized amount is 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).

DOH has determined to provide in this Intended Use Plan this additional subsidy of 49%. Therefore, in targeting additional subsidies, as established in the BIL Puerto Rico will provide 49% or (\$8,816,080) of the FY2022 Supplemental capitalization grant to provide additional subsidization (49% subsidy) with 100% percent forgiveness of principal and zero percent interest rate as additional subsidy (mandatory congressional). Information on prior years' subsidy use and applicable regulation is include in ***Appendix II***.

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

It is important to note that since the Program began to receive repayments of loans awarded these have been included in the loans approved and awarded annually in loans. 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 (*See Attachment I*). During the years of the cut-off these funds were not available for disbursement for drinking water

infrastructure. Nevertheless, these funds were restituted to the Program by the Commonwealth in fiscal year 2018. These repayment monies have been available once more since then and have been awarded under financial agreements. Also, after the Debt Restructure, PRASA, the sole loanee to date, has been complying with repayments as established in the Debt Restructure Agreement. Disbursements have also been executed from the Repayment Account in a continuous manner, as projects progress. For this supplemental 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. See *Appendix III* “Other Authorized SDWA §1452(k) Activities.

In summary now this section allows states to fund delineation and assessment of source water protection areas, and to update existing source water protection assessments, using the 15 percent 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.”

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. It is important to note that "The maximum annual amount of DWSRF money (not including any fees collected that are placed in the fund) that may be used to cover the reasonable cost of administering the fund (i.e. all BIL and base appropriations) is the greatest of the following: an amount equal to 4% of all grant awards to the fund received by state DWSRF for the fiscal year; \$400,000; or 1/5 percent of the current valuation of the fund. The BIL did not alter these options or the calculation of available administrative funds and verification procedures already in place". As stated previously, only 4% for the administrative set aside will be used for fiscal year 2022 Supplemental capitalization grant or \$719,680. The 2% or \$359,840 corresponding to the technical set-aside will be established also. In addition, a six percent (6%) out of the maximum 10% or \$1,079,520 available from the State Management Program set aside will be established for this current fiscal year and DOH has determined to ~~also~~ bank the remaining four percent (4%) or \$719,680 under said set-aside. Thus, this Department reserves the authority to take from future capitalization grant funds not requested at this time from the available set-asides. Also, the Commonwealth intends to maximize the use of capitalization grant monies for water supply projects as much as possible. Therefore, only those funds considered essential for the DWSRF, and the Public Water Supply Supervision program support have been allocated to set-

aside activities. Unused set-aside funds can be re-budgeted to fund eligible activities under set-asides. Nevertheless, any unused set-aside monies can also be transferred to the project fund after receiving an approved amendment to the capitalization grant. It is important to note that DOH will continue undertaking a series of activities and project that were previously funded with monies set apart under the set-asides that have been carried over from previous capitalization grants and which use is based, within others, on priorities established in the Technical Assistance Support (TAS) (See **Attachment I**). The Set-asides Work Plan provides all the activities that DOH will be undertaking in order to expedite the use of funds not only from the current fiscal year but any other un-liquidated balances.

We cannot disregard the serious impact impacts encountered and the financial distress that we continue encountering and which have affected and have cause delays in the on-going activities and how they have impaired the continuity of others to the extent of halting them. Additionally, we must mention that our fragile and aged power utility infrastructure seriously continue affecting day to day activities.

It must be pointed out that the Work Plan contains and details certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities, such as pilot projects, have a specific time frame for their completion. It is important to know that since fiscal year 2016 DOH has been impaired to resume contracting fully. However, we must point out that DOH was able to hire personnel as professional services contract effective October 2020, and continued directing efforts towards undertaking the activities designed to trying to catch up in time the delays due to all the difficulties encountered

and discussed. The intended use of funds and expected accomplishments for each set-aside are described below and they are currently ongoing. In summary, the submitted annual Set-Aside Work Plan for fiscal year 2022-23 includes additional information on estimated project time frames for the execution and/or completion of the activities programmed. Also, it is important to point out that up to FY 2022 DOH was able to give continuity and complete certain activities detailed on previous years' Work Plans, to the extent possible and notwithstanding the difficulties encountered focusing on the compliance and the legal authority of DOH. Nonetheless, if there are activities that still require more than one year for its completion, these are detailed on the current fiscal year 2022-23 Work Plan. Moreover, the Performance Status Report submitted annually accounts for those activities completed or achieved and presents reasons for delays, if any, in their execution, which has been limited mainly by the reasons previously detailed and stated.

7.1 Administrative Assistance

The SDWA authorizes states to take up to 4% of the total annual Federal Capitalization Grant (as provided in Section 130 of the SDWA amendments of 1996) to support the cost of administering the DWSRF program. The Commonwealth of Puerto Rico will be using the 4% or \$719,680 of the FY 2022 BIL Supplemental Capitalization Grant corresponding to the Administrative Set-aside. Administrative tasks are undertaken, mainly on an annual basis, and include, but are not limited to:

- implementing the Operating Agreement between DOH and the United States Environmental Protection Agency (EPA);

- developing and finalizing a Capitalization Grant application package to secure federal funds;
- performing project technical reviews; ranking project proposals in priority order;
- preparing an IUP which identifies available funding resources and expenditures and establishes a readiness fundable priority list (current year) and multi-year project priority list;
- implementing a State Environmental Review Process (SERP)³ as required; reviewing and approving engineering reports, construction plans and specifications; conducting project inspections;
- evaluating and determining project affordability (hardship); conducting public participation efforts and hearings;
- tracking systems; directing the investment of DWSRF funds; preparing project financing and loan agreements (including cost summaries and project financing schedules);
- preparing necessary financial documents; originating loans; processing disbursement request and conducting associated document review; collecting and managing loan repayments;

³ Delegated by Law of the Commonwealth, the Office of Permits Management (OGPe) will be undertaking certain activities that were undertaken by the Environmental Quality Board. We have to point out that The Commonwealth of Puerto Rico through "Puerto Rico Permit Process Reform Act, Act No. 161 of December 01, 2009, as amended," the process included in REPED ("Environmental Quality Board Regulation for the Presentation, Evaluation and Transmittal Process of Environmental Documents" (REPED)) states that the Permit Management Office (PMO) will undertake the assessment of the environmental compliance process. This regulation as approved provides an assessment process pursuant to Environmental Policy Act (NEPA), performing substantially similar to Puerto Rico Regulation for Environmental Impact Statements. The process was design in accordance with the Environmental Public Policy Act of Puerto Rico, Act No. 416 of September 22, 2004, as amended.

- establishing and collecting loan fees; ensuring that program and fiscal audits are conducted; preparing necessary cash draw requests and preparing technical and financial reports to meet federal and state mandates; and
- initiating the implementation of the asset management promotion in community drinking water systems and assisting them in their development of the asset management plan.
- preparing reports for the compliance with program requirements and grant conditions.

7.2 Technical Assistance

Section 1452 (g)(2)(D) of the SDWA authorizes states to take up to 2% of the total annual Capitalization Grant to provide technical assistance to small water systems (those with population of 10,000 or less). As stated previously, the Commonwealth of Puerto Rico will be banking the 2% or \$359,840 of the FY 2022 BIL General Supplemental Capitalization Grant corresponding to the technical set-aside. The technical assistance may include assistance to potential loan recipients complying with national and state drinking water regulations. It is essential to continue expanding the technical assistance provided and explore new mechanisms and programs to address the needs of small systems. With the collaboration of public and private entities these activities may be undertaken to provide direct assistance to selected or specific communities.

As stated, the Technical Assistance Support (TAS) established by DOH as part of Puerto Rico's Drinking Water Program will provide, in an organized manner, the

assistance that drinking water systems need in concert with other Commonwealth assistance initiatives. The purpose of the TAS is to use the DWSRF and set asides limited resources effectively and efficiently. Though the TAS has the following priorities:

- Capacity Development Program,
- Area–Wide Optimization Program,
- Circuit Rider Program.

During this year, DOH will continue directing its exertions towards activities on Capacity Development and Circuit Rider in an effort to cope and to certain extent harmonize DOH’s TAS with the Sustainability Policy (the Policy). DOH understands that it is necessary to continue the implementation of the TAS and in this process evaluate/revise it or undertake minor changes that will take into consideration the Policy to the extent of the availability of funds. DOH will also, under the TAS, direct its exertions toward the promotion in the drinking water systems of the use and establishment of asset management plans. Under this form of providing assistance, we have revised the Capacity Development Strategy and we incorporated the promotion of the use of asset management plans by the system. We will be providing assistance simultaneously to the systems in the understanding of the benefits of asset management.

Concerning the Circuit Riders Program, the programming of the implementation in other systems is expected in order to continue expanding it DOH will continue the expansion of the two concepts of Capacity and Circuit Rider to other systems, where these concepts are mingled in order to provide technical assistance.

It is the Commonwealth's intention to increase the number of available sources or providers of technical assistance to small systems in order to outreach a greater number of systems, increase the number of systems that are in the process of attaining compliance, increase the number of systems/communities that are benefited through the targeting of subsidies; improve systems compliance and operation, increase knowledge of the need to comply with the SDWA, improve and maintain the quality of water served, and thus, ultimately, protect the public health.

We must repeatedly indicate that notwithstanding the above mention intentions, the global financial situation and general financial crisis of the government of Puerto Rico impose serious constraints when developing and undertaking the activities programed.

Therefore, these priorities and its implementation may be affected, and the activities associated, which are described in detail in the Work Plan, may also be limited, delayed or halted in time and number.

As we mentioned earlier, there are certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities have a specific time frame for their completion, while those associated to a contract or a pilot project may vary depending on the proposal and availability of personnel.

7.3 Small Water Systems (Non-PRASA)

DOH has an existing small water systems program (Non-PRASA). The DOH Non-PRASA Program provides technical assistance and guidance to communities by

considering project alternatives, determining project priorities, and advising communities on selecting the simplest project, using volunteers, and avoiding duplication of services.

The activities to be undertaken include:

- acquiring, training and orienting new program staff;
- holding community meetings to explain the Non-PRASA program and its advantages;
- upgrading the record keeping system to facilitate periodic status reports;
- train and certify if necessary existing staff as certified operators
- assignment of existing staff to provide training and orientation to systems owners or operators; and
- assist systems' owners in order to facilitate the certification of the operator.

This highly successful Program needs to be expanded to service more systems and to provide uniform coverage within the Commonwealth in their process of attaining compliance. For this reason, other private or Commonwealth agencies may be used to provide technical assistance for aspects of management and coordination of small community drinking water projects, in accordance with the existing Non-PRASA Program.

It is necessary to continue expanding and outreaching the number of communities that are being evaluated and are receiving technical assistance for financial and

managerial aspects of capacity development, in order to improve the quality of the water served by the Non-PRASA systems and, thus, attain compliance.

As it has been stated, since the inception of the program the goal of the technical assistance initiative is to provide assistance to small public water systems to enable such systems to achieve and maintain compliance with applicable national and state drinking water regulations.

The Commonwealth has used this set-aside to provide technical assistance, among other things, by performing Comprehensive Performance Evaluations (CPE) ⁵ and by implementing the Small Systems Strategy, in order to provide the drinking water systems with different assistance mechanism to bring into compliance. This assistance will be directed towards addressing the technical, financial, and managerial issues necessary to attain compliance. DOH will continue using it as a tool in the Area Wide Optimization Program. The optimization of systems is also considered in their evaluation. Moreover, DOH will expand the outreach to other systems and will continue implementing the use of the small systems CPE methodology previously validated. Technical assistance in the revision of CPEs will also be undertaken during this year to the extent possible. In addition, it is the intention of DOH to enter into partnership with a private entity in order to enhance the CPE by performing Sanitary Surveys where both approaches will be combined. DOH has determine to use the adapted CPE while promoting the use of asset

⁵ Including the adapted CPE for small systems.

management plan because it provides essential data useful for the preparation of asset management plan. Particularly, it will be used for providing technical assistance to the systems that are in the process of establishing their asset management plan. As we have indicated, this Department will be providing assistance while promoting the use of asset management in the community drinking water systems, particularly on those small drinking water systems. These small systems are the initial priority in the promotion process.

DOH will continue this oversight to the systems that were subject to sanitary survey and were evaluated taking into account within others the optimization of the system and will continue providing follow-up and guidance in the implementation of their compliance action plans in order to provide the tools for optimizing them and re-enforce the maintenance and/or attainment of capacity. DOH in an effort to provide technical assistance and determine specific factors that may cause or will end in the potential non-compliance of a system, will direct its exertions to enter into contracts with private entities that will be undertaking sanitary surveys. DOH initiated this process few years ago by coordinating with the PWSS program and providing support to them while assistance is also given to the systems by using the adapted CPE. This process and assistance have been affected and/or delayed by all the factors previously discussed. Due to the fragile electric power infrastructure Currently, generators are used not only by the general population but also businesses due to the lack of electric power and the inability of restoring the electric power system. The promotion of asset management will be a very

difficult process because the systems have not recovered from the hit of the hurricane Fiona. Their recovery is the first priority and possibly asset management implementation will be in a second or third position. Technical assistance in the revision of CPEs will also be undertaken during this year to the extent possible due to the current circumstances. Thus, it is the intention of DOH to enter into partnership with a private entity in order to enhance the CPE by performing Sanitary Surveys where both approaches will be combined. Notwithstanding this situation that have delayed the process this Department is determined to continue providing the support and assistance so much needed and will continue coordinating with the private sector the execution of contracts for this purpose.

The primary goal of the CPE is to review and evaluate the capabilities of an existing treatment facility to determine if it is meeting current standards and performance goals. In addition, the CPEs will assess whether the optimization of facilities will assure compliance with current and future standards and regulations.

Training of field staff responsible for follow-up, making equipment available when needed, and holding at least one workshop per year on troubleshooting techniques will be necessary. PRASA's systems are more complex but DOH will also engage in promoting the use of asset management in them but we must emphasize that after the hit of hurricane Fiona the priority is to rehabilitate the infrastructure and provide potable water, something that has not been possible as fast as needed due to the damage to main intakes and the lack of electric power and generators.

7.4 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. As stated previously, by law a 10% of the Capitalization grant is available for the State Program Management set-aside. During fiscal year 2022 this Department will establish from the Supplemental Capitalization grant the State Program Management set-aside under the BIL. DOH will establish out of the ten percent (10%) available for, only \$1,079,520 or 6% and will bank the remaining 4%. This Department reserves the right to take from future capitalization grants amounts not claimed at this time. At the time, this amount may be used to continue activities under this set-aside. For this fiscal year DOH's expectation is to complete the activities started and give support to the PWSS in the assistance provided to the drinking water systems. DOH may also use these funds to promote asset management in the community water systems.

Thus, this Department reserves the authority to take the remaining 4 % from future capitalization grant funds not requested at this time, particularly corresponding the state program management set-aside. The Set-Asides Work Plan 2022-23 submitted to EPA in June 2022 in compliance with the deadline submittal provides details of the activities planned.

Concerning this set-aside now States ARE NOT REQUIRED to match this set-aside on a one-to-one basis above and beyond the 20% match required for all capitalization funds.

7.4.1 Operator Certification Program

The Commonwealth of Puerto Rico, through DOH and the Puerto Rico Department of State, State Drinking Water Treatment Plant Operator Certification

Board (the Board) established the Operator Certification Program for Drinking Water Systems, in accordance with the SDWA, which was approved by EPA on September 2002. Puerto Rico has been implementing this Program since its approval. The federal law also authorizes \$30 million nationally, annually, to support reimbursement of expenses for the training of non-salaried operators at water systems with populations of 3,300 or less people. EPA approved the reimbursement grant on September 30, 2003.

DOH will continue promoting awareness of upcoming regulations in order to ensure adequate operation, reduce system's non-compliance, and expand the training resources available in an effort to improve pass/fail rates of operators taking licensing tests, thus, fostering systems' compliance by implementing the OCP. Meetings with the Existing Board on Operators Certification will continue. Orientation, training and certification of new technical staff concerning operation certification requirements and compliance with the SDWA will provide continuous support/assistance to systems subject to the training plan.

DOH goals for the Operator Certification Program are: to review the adequacy of existing training programs as to the geographic distribution and quality of the training provided; to address the training needs of the operators who will need to be certified in the next few years by outreaching systems and making them available the trainings and compliance requirements and to implement the reimbursement grant to assist systems operators in their training

certification process, in order to attain compliance and train and certify staff as operators which in turn that can continue providing oversight for future operators' compliance with the license requirements.

DOH administered a contract for the implementation of the Operator Certification Expense Reimbursement Grant and this contract ended on December 31, 2012. Notwithstanding there are no funds available under this Grant, DOH will continue by means of the Operator Certification initiative, advising the Non-PRASA systems and untreated community systems of the future need for certified operators and the qualification they shall meet. Also, through technical assistance DOH will, to the extent possible, continue providing funds for the certification and examination of operators of small drinking water systems. To this effect DOH has undertaken a pilot project for this purpose partially financed with the 2% or \$220,220 established during FY 2020 for the State Program Management and \$1,079,520 or 6 % established now during this current fiscal year under the General Supplemental capitalization grant.

7.4.2 Capacity Development Program

Under the Federal Capacity Development Strategy, as outlined in Section 1420 of the SDWA, the State must have the legal authority to assure that all new water systems demonstrate adequate capacity and have a capacity development program in place by October 1, 1999. The Commonwealth of Puerto Rico developed a capacity development assurance plan that was approved by EPA in

September 1999 where procedures for undertaking the capacity assessment of new drinking water systems were established. On August 4, 2000, DOH submitted to EPA, the Capacity Development Strategy, which was approved by EPA on September 29, 2000. Up to date, DOH has complied with all required reports and documentation related to the Capacity Development.

The goals of the Capacity Development Strategy are to discourage the formation of new, small, non-viable public water systems, and to assist and encourage the consolidation, collaboration and regionalization of existing non-viable systems. **Attachment II** (*Capacity Development Program*) summarizes the Capacity Development elements considered when assessing Capacity.

In order to continue meeting federal capacity development requirements, the DOH, has established certain strategies and is undertaking activities such as, the evaluation of new public water systems with the capacity development checklist developed by DOH (See **Attachment III** - Checklist Capacity Development Program New Drinking Water System Capacity Assurance Plan), and the economic assessment of viability of proposed systems. Also, DOH continues the search and identification of those agencies and institutions that would have an interest in the development and implementation of a capacity development strategy.

Thus, together with these activities, DOH expects to continue enforcing the Legal Authority provided by the existing statutes. Community water systems and non-transient, non-community water systems with an History of Significant Non-

compliance (HSNC) were evaluated. Since fiscal year 2012 the Enforcement Targeting Tool (ETT) is used vs. HSNC. The states have to implement in the Capacity Development and the DWSRF programs actions to reflect the new Enforcement Response Policy (ERP) and the Enforcement Targeting Tool (ETT). It is the intention that the list generated as part of the ETT can be used as one of the ways to identify systems that may lack technical, managerial and financial capacity (TMF) and prioritizes the assistance that can be provided. Thus, instead of reporting SNCs, states can indicate, which of those new community and non-transient non-community water systems have at any point during the first three years of operation, had unaddressed violations that incurred an ETT score greater than or equal to 11. Under the ETT, these systems are considered a priority system by EPA. This can provide a tool to determine steps to help the systems return to compliance. DOH has complied with the quarterly reporting with the ETT and it is the intention to continue doing so, as well as to comply with the inclusion of said information in the Capacity Development Report.

As stated previously, DOH will, to the extent possible, continue providing assistance with the intention of conducting systems towards compliance with the Capacity Development Program and increase the number of systems in compliance with the SDWA. This will be undertaken, through several approaches and contract undertakings, as well as through the regular compliance assistance.

Annually in a feedback process DOH and EPA coordinate and revise the status of certain systems as requested by EPA where their status is examined as well as the assistance activities, and efforts provided in order to return them to compliance. Now the states are required to promote in the systems the development, use and implementation of asset management plans by the systems. To this effect, the states and territories are required to revise their Capacity Development Strategy and include in its revision the promotion in the systems of the use and benefits of asset management plans. DOH already engaged in the process of the revision of the strategy focusing in said promotion. Thus, last year the capacity development strategy was revised to incorporate the promotion of asset management drinking water systems. The approval of the strategy was received in March 23, 2023

7.5 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 General Supplemental for the following programs.

7.5.1 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 at this time. There may be other existing programs that may be used to purchase sensitive watershed lands.

7.5.2 Capacity Strategy

The Commonwealth has used a portion of the allotted State Program Management set-aside to develop a Commonwealth Capacity Development Strategy. DOH, based on information available from other Commonwealth agencies, developed the necessary strategies of capacity development in the Commonwealth, including, without limitation, legislative, regulatory and program changes to prevent the creation of non-viable public water supplies and address existing non-viable public water supplies in the Commonwealth.

We have to point out that the amendments to the DWSRF Program through the SDWA Act provide new insight to the Capacity Development Strategy as a mean to assist systems in their compliance and sustainability process. To this effect the following amendments were enacted:

AWIA, §2012: Asset Management

This section amends the SDWA § 1420, which requires the EPA and states to help water systems develop financial, managerial, and technical capacity. It is the understanding that States may not provide DWSRF loan assistance to systems that lack these capabilities, unless such assistance will help them achieve capacity in accordance to SDWA §1452(a)(3)(A) The subsection changed were §1420 (c) and (d). Under 1420(c)(2) now, States will present a description as appropriate of how they will encourage and assist public water systems in developing and implementing asset management plans.

Also, the state needs to report- the progress attained which “must be included in the Report to the Governor *“efforts of the State to encourage development by public water systems of asset management plans and to assist public water systems in training relevant and appropriate persons in implementing such asset management plans.”*

As per EPA’s explanation of the amendments to these sections is *“that states consider and include as appropriate in their state capacity development strategy, a description of how the state will encourage the development of asset management plans that include best practices and any training, technical assistance, and other activities that would help implement asset management plans. The section also mandates that*

primacy agencies include in their triennial capacity development reports to the Governor a description of how the state will encourage water systems to develop asset management plans, including the provision of technical assistance.” This section also mandates that the EPA review and, if appropriate, update technical assistance and best practice documents for asset management.

Note that asset management plans (as part of planning and design) and related system software are eligible capital expenses as part of a DWSRF infrastructure loan. The development and implementation of asset management plans for communities are also eligible expenses under the 15% Local Assistance and Other State Programs set-aside (for Capacity Development). According to EPA’s letter dated September 19, 2021 the new date to provide the information related to the asset management is December 31, 2022. DOH initiated the process of revising its strategy and provided it to EPA in November 2022 in compliance with the new deadline established by EPA. The strategy was approved on March 23, 2023.

Understanding the importance of asset management with drinking water systems, this Department requested EPA’s technical assistance in the revision and development of additional strategies in this regard to be in compliance with this new requirement. DOH was in coordination with EPA regarding the assistance requested. DOH highly appreciates EPA’s

commitment for providing assistance and as such proceeded to provide the revision. We have detailed in several occasions and discussed with EPA how DOH intends to and is undertaking this revision. The revision will be provided in a separate self- sustaining document based on the fact that Puerto Rico's strategy is composed of two separate strategies: one for addressing PRASA systems under a court order consent decree and one for addressing non PRASA systems which was revised few years ago.

7.5.3 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.

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| SET-ASIDES STATE REVOLVING FUND BIL Supplemental Provision | | | | |
|---|------------|-----------------------------------|--------------------------------|---------------------|
| SET-ASIDES | SDWA | FFY 2022 MAXIMUM ALLOCATION | COMMONWEALTH of Puerto Rico | FFY 2022* |
| Administration** | 4% | \$719,680 | 4% | \$719,680∞ |
| DOH & PRIFA | | | | |
| Technical Assistance *** | 2% | 359,840 | 2% | 359,840∞ |
| Management Programs† (No Dollar to Dollar Match requirement) | 10% | 1,799,200 | 6% | 1,079,520 |
| Capacity Development ∞ | 0% | 220,020 | 0% | 0∞ |
| Operator Certification | 0% | 0 | 0% | 0 |
| Special Activity Set-Asides (No banking allowed. No more than 10% for any individual component under this set- aside) | 15% | 2,698,800 | 0% | 0 |
| Land Acquisition | (10%) | (1,799,200) | (0%) | 0 |
| Capacity Strategy | (10%) | (1,799,200) | (0%) | 0 |
| SW Petition Programs | (10%) | (1,799,200) | (0%) | 0 |
| Total Set Asides Established∞ | 31% | \$5,577,520 | 12% | \$2,159,040∞ |

* Based on an appropriation of \$17,992,000 for the Supplemental Provision.

** DOH will use 4% for the administrative set-aside or \$719,680.

*** DOH will be establishing the technical assistance set-aside 2% or \$359,840 corresponding to FY 2022 supplemental provision.

∞ DOH will establish a six percent (6%) or \$1,079,580 of the State Program Management set aside available amount out of the 10% from the 2022 BIL General Supplemental capitalization grant. DOH reserves the right to take from future capitalization grants the remaining amount from future FY Capitalization Grant under this set-aside.

† 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 defined by 1452(d)(3) of the SDWA, a disadvantaged community is one in which the service area of a public water system meets affordability criteria established after public review and comment by the State in which the public water system is located. In the Commonwealth, drinking water projects will be reviewed to determine funding eligibility and scored based on an established priority ranking system. It is important to mention that there are two types of additional subsidy. One is provided under the disadvantaged community 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 percent was not established or determined for its use. The subsidy percent under disadvantaged communities were not determined or used until fiscal year 2018. Almost in the same manner, the "Congressional" subsidy was used when it became mandatory. One of the reasons for not doing so was in order to preserve as much the DWSRF capitalization as possible and the other was the lack of loan applications particularly for the disadvantaged communities/disadvantaged systems.

As per the definition established by the SDWA section 1452(d)(3) where "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". DOH will consider a disadvantaged system those systems are serving 25 or more persons or 15 or more connections for more than 60

consecutive days and may or may not be connected to a PRASA system whether or not in the next 5 years and may or may not be considered isolated due to their topographic condition. Thus, a disadvantaged system are those systems that meet the affordability criteria. The Project may not be segmented. Refinancing is eligible through the regular subsidized DWSRF Program if qualified as stated in the DWSRF. However, hardship financial assistance is only available for new Drinking Water Projects for which the notice of construction was given on or after July 1, 1993.

We have to point out that under the Supplemental capitalization grant for fiscal year 2022, the BIL overrode the two subsidies previously discussed. Only one subsidy will prevail in the amount of 49% of the capitalization grant or \$ 8,816,080 will be provided under this provision as forgivable loans with principal forgiveness or grants or a combination. Therefore, in accordance with the law, this Department will provide *“forty-nine percent of the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreements with 100 percent forgiveness of principal or grants (or any combination of these)”*

After twenty even (27) years of administration of the Program and no loan applications under the disadvantaged community program received, this Department has proceeded to evaluate and modify the definition in order to increase the number of systems that could participate or benefit from this subsidy. As previously mentioned, DOH understands that a disadvantaged community is a disadvantaged system. DOH will

consider disadvantaged system, that system serving 25 or more persons or 15 or more connections for more than 60 consecutive days and may or may not be connected to a PRASA system whether or not in the next 5 years and may or may not be considered isolated due to their topographic condition. Thus, a disadvantaged system is a system that meets the affordability criteria using the Median Household Income. The project may not be segmented. Refinancing is eligible through the regular subsidized DWSRF Program if qualified as stated in the DWSRF. However, hardship financial assistance is only available for new Drinking Water Projects for which the notice of construction was given on or after July 1, 1993.

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 accomplished 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 subsidy or forty (40) years loan terms (or design life/useful life, whichever is lesser), may be available to provide increased financial benefits. Throughout the years and although up to 20% 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 disadvantage community applications received. Nevertheless, recognizing the need to assist more systems, particularly after the hit of the last hurricanes, since fiscal year 2018 it was established although no applications have been received. The same applies to FYs 2020 and 2021. For FY 2022, we also established it considering that by law this benefit for disadvantaged communities have increased. Now under the BIL and supplemental provisions, it is mandatory its establishment, moreover when the bill overrode the two other congressional subsidies.

It is important to give the opportunity to these communities because the BIL “increases the investment in the disadvantaged Communities by establishing means to benefit equitably the unprecedented and historical investment in water infrastructure. Now the BIL states: *“Pursuant to 40 CFR § 35.3555 the IUP must describe how a state’s disadvantaged community program will operate including the state’s definition of a disadvantaged community, a description of affordability criteria used to determine the amount of disadvantage assistance, the amount and type of loan subsidies that may be made available to disadvantaged communities and an identification of projects that will receive disadvantaged assistance and their respective amounts”.*

The BIL mandates that: *“49% of funds provided through the DWSRF general supplemental funding and DWSRF lead service line replacement funding must be provided as grants and forgivable loans to disadvantage communities”*. Also, it requires that *“no less than 25% of funds provided through the DWSRF emerging contaminant funding be provided as grants and forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people.”*

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 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.

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.”

Under the BIL General supplemental provision, the SDWA §1452(d)(2) states the following regarding the additional subsidization:

(1) Loan subsidy – “Provided further, That for the funds made available under this paragraph in this Act forty-nine percent the funds made available to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide subsidy to eligible recipients in the form of assistance agreements with 100% forgiveness of principal or grants (or any combination of these) notwithstanding section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C.300J-12)

(2) "Disadvantaged community" as defined in this subsection: the term "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.

Therefore, under the BIL, the “States must establish or continue to implement a Disadvantaged Community Program. The SDWA allows for the possibility that states may not meet the provision. To this effect “the BIL explicitly seeks to ensure disadvantaged

communities have access to funds to improve their water infrastructure to protect public health EPA expects states to review refine and improve their DWSRF disadvantage community definitions and priority point systems to ensure that additional subsidy is provided to this advantage communities". In addition "EPA recognizes that some communities will require assistance to meet requirements to receive SRF funds and expect states to use set-aside funds to attract and assist disadvantaged communities previously unable to complete SRF funding requirements. EPA encourages state SRF programs to identify and proactively communicate with water systems with health-based violations and significant deficiencies but are not yet on the state PPL. EPA also expects states to offer benefit to disadvantaged communities beyond additional subsidization, as needed, including lower interest rate and expected loan terms

Moreover, with the amendments to the SDWA the loan term for disadvantage communities increased from 30 years to 40 years. However, the loan term should not exceed the expected design/useful life of the project's. Now under the BIL, this Department is required to provide the additional subsidies mandated for state-defined Disadvantaged Communities and "to expand the outreach to communities that meet the definition of disadvantaged" and offer benefits "beyond additional subsidization as needed including lower interest rate and extended loan terms" in accordance to the SDWA..

For fiscal year 2022 BIL general supplemental, this subsidy is set in the amount of \$8,816,080 or 49% as the maximum amount to be awarded . The expectation of a loan

amortization period is up to forty (40) years or its design life, whichever is shorter and with a loan repayment initiation of up to eighteen months after the project completion, where applicable.

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.

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 V)* 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 is as follows:

| <u>Median Household Income (MHIL)</u> | <u>Points</u> |
|---------------------------------------|---------------|
| 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:

- For this fiscal year the total amount is 49% or \$8,816,080.
- 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 the project based on population 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.

Thus, 49% or \$8,816,080 has been awarded to the eligible projects. DOH has determined to award it as a forgivable loan with 100% principal forgiveness and zero percent interest rate.

Following is the list of projects that are qualified to receive FY 2022 Supplemental disadvantaged community subsidy, based on DOH's determination of hardship loan subsidies:

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| DETERMINATION OF HARDSHIP LOAN SUBSIDIES TO PROJECTS - BIL General Supplemental Funding (DW BIL GEN) | | | | | | | | | |
|--|-------------|------------------------------|---|---------|--|---|-----------------------|------|---|
| PROJECTS [^] | Ready to go | Assistance cost [^] | MHI Affordability (2017-2021 US Census) | Pop. | RANKING POINTS according to: | | TOTAL PRIORITY POINTS | Rank | Disadvantage Community Subsidy [@] |
| | | | | | Affordability Related to Disadvantage Community* | Additional Points Based On Population** | | | |
| Bo. Rio Cañas WDS Improvements- Mayaguez | 4-23 | \$1,635,611 | \$15,501 | 151,538 | 5 | 7 | 12 | 1 | \$ 1,635,611 |
| Ponce en Marcha IVC - Ponce Urbano WDS | 9-24 | \$2,000,000 | \$17,747 | 122,229 | 5 | 6 | 11 | 2 | + |
| Ponce en Marcha IVB - Ponce Urbano WDS | 9-21 | \$4,000,000 | \$17,747 | 122,229 | 5 | 5 | 10 | 3 | 4,000,000 |
| Vieques-Naguabo WDS Improvements | 7-22 | \$2,500,000 | \$14,942 | 82,557 | 5 | 4 | 9 | 4 | 2,500,000 |
| Raw Water pipe from Penstock Carite III to Guayama WTP | 6-23 | \$ 816,080 | \$17,815 | 34,671 | 5 | 3 | 8 | 5 | 680,469 |
| D/B 8" Pipe replacement WDS Camino Nuevo- Yabucoa | 5-23 | \$2,000,000 | \$17,267 | 11,050 | 5 | 2 | 7 | 6 | |
| Jagual WTP Improvements, San Lorenzo | 8-23 | \$2,000,000 | \$19,339 | 5,443 | 5 | 1 | 6 | 7 | |
| Projects below are in the Multiyear | | | | | | | | | |
| 2MIGD Tank and WDS Improvements- Comerio | | \$2,614,482 | \$14,666 | 10,693 | 15 | 1 | 16 | 1 | |
| Cruz PS-Voladoras Tank Relocation- Aguadilla | | \$ 394,420 | \$16,940 | 124,044 | 5 | 3 | 8 | 2 | |
| Raw Water PS Lago Calero Elect. Improv.- Aguadilla | | \$ 404,250 | \$16,940 | 124,044 | 5 | 3 | 8 | 2 | |
| New WDS Campo Alegre Sectores 10-Arecibo/Hatillo | | \$3,605,753 | \$19,311 | 81,548 | 5 | 2 | 7 | 3 | |
| TOTAL | | \$21,970,596 | | | | | | | \$ 8,816,080 |

[^] Information taken from Project Readiness Priority List

* 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 BIL SUPP allotment, the Disadvantage Community Subsidy is exactly 49% or \$8,816,080.

+ This project, even though it ranked in 2nd position, its start date is delayed.

Based on DOH’s evaluation, 49% or \$8,816,080 from DW BIL-SUPP funds has been awarded to the following projects:

| Project name | | Additional Subsidy Assigned |
|--------------|------------------------------------|-----------------------------|
| 1. | Ponce en Marcha IVB | \$4,000,000 |
| 2. | Rio Cañas, Mayaguez WDS | \$ 1,635,611 |
| 3. | Vieques-Naguabo WDS | \$2,500,000 |
| 4. | Penstock Carite III to Guayama WTP | \$680,469 |

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 Subsidization

Notwithstanding the regular subsidies provided by the law during the last few years, the Procedures for Implementing Certain Provisions of EPA’s Fiscal Years Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs have required the establishment of certain percent for subsidies. Now for the BIL, the subsidies were overrode and only one congressional subsidy in the amount of 49% will be considered for this supplemental. In targeting additional subsidies, as established in the BIL 2021 Puerto Rico will provide 49% (\$8,816,080) of the FY 2021 2022 Supplemental capitalization grant to provide additional subsidization with 100% forgiveness of principal with 0% interest rate.

DOH, as the recipient of the capitalization grant, 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 49% 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).

As previously mentioned, for this year, DOH will provide 49% (\$8,616,080) of the FY 2022 DW BIL-SUPP capitalization grant in the form of 100% principal forgiveness and 0% interest rate for the following four projects: Ponce en Marcha IV-B, Rio Cañas, Mayaguez WDS, Vieques-Naguabo WDS, and Penstock Carite III to Guayama WTP.

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. A detailed description of the Project Priority Ranking Systems is included as **Attachment V** (*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 VI** (*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 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.

- The Project Multi-Year List will also include the project readiness list which includes all those projects expected to qualify for long provisions are made in the Project Priority Ranking System to bypass project which may not progress as expected. The 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.

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. Due to PRASA's debt restructure and negotiations, PRASA may be requesting the benefit of the application of the hardship/affordability criteria for disadvantaged systems and thus, will be providing the required data for the evaluation of projects in order to award hardship loans. This alternative provides or opens a possibility to a disadvantaged systems that was not able to be included in the PPL to participate now can be included through PRASA

in the PPL and receive the service needed. As stated previously DOH will be establishing this percent and awarding them to qualified projects/systems in disadvantage.

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") of Tier II. Since the enabling Commonwealth law that created the Office of Permits and Management (or OGPe in Spanish) the state environmental review process that is been undertaken is through this agency. DOH in its level of review 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