

SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

March 15, 2022

Via Electronic Filing

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Re: Carolina Water Service, Inc. of North Carolina
Docket No. M-100, Sub 164
Verified Response Regarding Consideration of the Federal Funding
Available Under the Infrastructure Investment and Jobs Act

Dear Ms. Dunston:

On February 1, 2022, the Commission entered an Order in this docket whereby Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") was allowed to file written comments on or before March 15, 2022, pertaining to available federal programs, if any, applicable to the water and sewer utility industry in North Carolina. The Commission noted that, (a) on November 15, 2021, the President of the United States signed into law the Infrastructure Investment and Jobs Act, H.R. 3684, 117th Cong. (2021) ("IIJA") and (b) that the IIJA contains a number of provisions that relate to utility infrastructure improvement including, in pertinent part, access to clean water.

CWSNC hereby files the Company's Verified Response to the questions and issues posed by the Commission. This Response has been verified by Phil Drennan, CWSNC's Director of Financial Planning and Analysis.

I hereby certify that this filing has been provided today to each of the parties of record to Docket No. M-100, Sub 164 by means of electronic service.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford
Sanford Law Office, PLLC
State Bar No. 6831

Attorney for Carolina Water Service,
Inc. of North Carolina

Docket No. M-100, Sub 164**Consideration of the Federal Funding Available Under the Infrastructure Investment and Jobs Act****Verified Response of Carolina Water Service, Inc. of North Carolina**

On February 1, 2022, the Commission entered an Order in this docket whereby Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”) was allowed to file written comments on or before March 15, 2022, pertaining to available federal programs, if any, applicable to the water and sewer utility industry. The Commission noted that (a) on November 15, 2021, the President of the United States signed into law the Infrastructure Investment and Jobs Act, H.R. 3684, 117th Cong. (2021) (“IIJA”) and (b) the IIJA contains a number of provisions that relate to utility infrastructure improvement including, in pertinent part, access to clean water.

The Commission found good cause to allow interested parties to file written comments regarding certain specified facts and considerations. The five issues specified by the Commission for comment are recited below with CWSNC’s responses set forth thereunder:

a. The identification of all federal programs under the IIJA that are available to North Carolina public utilities to assist them in meeting their obligations under the North Carolina General Statutes and the Rules of the Commission.

Response: The Infrastructure Investment and Jobs Act appropriates \$55 billion to the U.S. Environmental Protection Agency (“EPA”) to improve water and wastewater infrastructure. The majority of the IIJA dollars will flow through the Drinking Water State Revolving Fund (“DWSRF”) and the Clean Water State

Revolving Fund (“CWSRF”). Both SRF programs are administered by the EPA and used by the states to provide low-cost financing for local water and wastewater projects.

Section 50104 of the IIJA expands uses for the Small and Disadvantaged Community Assistance program to include point-of-use filters for lead as well as educational materials on the importance of lead filtration and replacing lead service lines. Further, the cost-sharing requirement is reduced from 45% to 10%. Additionally, the drinking water infrastructure resilience and sustainability program is expanded to include providing assistance to connect households on wells to public water systems. The infrastructure resilience and sustainability portions are authorized at \$25 million for 2022-26 and the government is given the ability to waive the cost-sharing requirements for systems that demonstrate an inability to pay. CWSNC does not anticipate applying for grants under this section as levels of contaminants appear safely below limits needed for these funds. CWSNC is not aware of disadvantaged households on wells that would benefit from connecting to CWSNC’s water system, but the Company will continue to monitor potentially eligible customers within its service territory.

Section 50105 of the IIJA appropriates funds for lead service line replacements, regardless of whether the service lines are publicly or privately owned. CWSNC is not aware of any lead service lines in the Company’s systems and does not expect CWSNC customers to need this program.

Section 50107 - a midsize and large drinking water system infrastructure resilience and sustainability program - is created to assist public water systems

serving communities of 10,000 people or more. Grants can be awarded to increase resilience to natural hazards and extreme weather events, and reduce cybersecurity vulnerabilities. The program is authorized at \$50 million annually from 2022-26, of which 50% is for communities between 10,000 and 99,999 people and 50% is for communities of 100,000 people and more. CWSNC's cybersecurity projects are managed at a corporate overhead level, supporting operations in two countries, as well as multiple states and provinces. It does not appear feasible to apply for funds under this program at a specific state level. Additionally, CWSNC is unlikely to qualify as an eligible entity defined by this section as servicing a community with a population of 10,000 or more. Efforts to expand this definition to include disparate systems that are consolidated administratively into larger entities would benefit public utilities that fall below the 10,000 customer threshold on a contiguous basis within the same community. CWSNC is addressing the Commission on March 15, 2022 regarding the Company's resilience to natural hazards and extreme weather events. CWSNC will continue to evaluate potential projects that may qualify for this program, but the Company does not anticipate applying for grants under section 50107 at this time.

b. The identification of actions that are reasonable and appropriate for North Carolina's public utilities to take to access those funds.

Response: Actions that are reasonable and appropriate for North Carolina's public utilities seeking to gain access to IIJA funds include researching the grant process administered through the state DWSRF and CWSRF programs. Investor-owned utilities are not eligible for the CWSRF funds. Investor-owned

utilities can apply for grants through the DWSRF program, but according to the North Carolina Department of Environmental Quality (“NCDEQ”) only two privately owned utilities have been awarded grants in North Carolina over the past ten years, and none in the last five years. Although this low success rate should not preclude investor-owned utilities from applying for DWSRF funds, there appear to be hurdles which make applying for and implementing DWSRF funds difficult for investor-owned utilities. CWSNC will continue to assess projects which may be eligible for DWSRF grants but the company has not identified suitable projects at this time.

c. The identification of the entities, public or private, with which North Carolina public utilities should coordinate in order to access available federal funds.

Response: Examples of entities to coordinate with in order to access available federal funds include the NCDEQ and the EPA.

d. The identification of the processes that have been either established or contemplated by other agencies of the State.

Response: There is a semiannual application process to obtain SRF funds.

e. The identification of actions that may be appropriate for this Commission to consider taking in order to facilitate appropriate receipt and deployment of available federal funding within the State.

Response: The Commission can support the efforts of investor-owned public utilities to expand federal and state funding programs to include investor-owned utilities. Recently Representative Garamendi (D-CA-3) introduced

H.R. 4597, co-sponsored with Representative Bost (R-IL-12), to make private companies eligible for the CWSRF program. Efforts are currently underway to find sponsors for a companion bill in the Senate. On Wednesday, March 16, 2022, the Senate Committee on Environment and Public Works (“EPW”) will hold an oversight hearing on the CWSRF program. This hearing will be technical in nature, outlining both the workings and the history of the CWSRF program. Witnesses will include a representative from the Congressional Research Service; a National Water-Quality Assessment (“NAWQA”) representative from Green Bay, Wisconsin; various state water officials; and an employee from the Washington Department of the Environment. Live video of the hearing will be available on the [EPW Website](#). The National Association of Water Companies (“NAWC”), of which CWSNC is a member, is supporting enactment of the federal CWSRF legislation. If CWSRF eligibility is eventually expanded to included investor-owned utilities, it is important to continue to support efforts to make the application and funding process a level playing field for all utilities who provide service to public customers.


Any efforts to make the DWSRF process more efficient for investor-owned utilities should also be considered. This would include making the application and administration process for DWSRF funds easier to implement for investor-owned utilities.

Accordingly, CWSNC hereby proffers these comments in response to the Commission’s February 1st Order in Docket No. M-100, Sub 164.

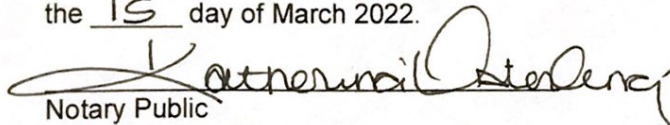
VERIFICATION

Phil Drennan, being duly sworn, deposes and says: that he is the Regional Director of Financial Planning and Analysis for Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in the **Verified Response of Carolina Water Service, Inc. of North Carolina Regarding Consideration of the Federal Funding Available Under the Infrastructure Investment and Jobs Act** filed in Docket No. M-100, Sub 163; that he has read the foregoing Verified Response and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.




Phil Drennan

Sworn to and subscribed before me this
the 15 day of March 2022.


Notary Public

My Commission Expires: MAY 4, 2024