



Intended Use Plan
Drinking Water State Revolving Fund

Supplemental Appropriation for Hurricanes
Helene and Milton and Hawai'i Wildfires



**Drinking Water State Revolving Fund
Draft Intended Use Plan**

April 30, 2026

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Introduction

The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low-interest loans to local governments for water infrastructure improvement projects, leading to the establishment of the Drinking Water State Revolving Fund (DWSRF) loan program within the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources (DWR). The DWSRF loan program, part of the TDEC State

Elements of the Drinking Water State Revolving Fund Intended Use Plan:

- TDEC SRF long-term and short-term goals
- The financial status of the Drinking Water SRF Loan Program
- Description of the methods and criteria used to distribute funds
- Description of the amount of set aside funds and details on how the state intends to use those monies.
- Priority Ranking List (PRL) for 2025
- TDEC’s New Principal Forgiveness methodology for Small and Disadvantaged Communities.
- TDEC’s Ability To Pay Index

Revolving Fund (SRF), offers low-interest loans and technical assistance to cities, counties, utility districts, and water authorities across Tennessee. Its main purpose is to support the planning, design, and construction of drinking water, stormwater, and wastewater infrastructure projects. For more detailed information about the DWSRF loan program, individuals can refer to the TDEC [SRF website](#).

In late September 2024, Hurricane Helene devastated infrastructure in many communities in Northeast Tennessee. On December 21, 2024, the American Relief Act, 2025, P.L. 118-158, (“the Act”) became law. Title VII of the Act included disaster relief supplemental funding for the State Revolving Fund (SRF) programs.

This law includes billions of dollars in disaster relief supplemental funding for those states impacted by Hurricanes Helene and Milton and the Hawai’i Wildfires. Appropriations from Supplementary Appropriation for Hurricanes Helene and Milton and the Hawai’i Wildfires (SA-HMW) must be used for the purpose of reducing flood or fire damage risk and vulnerability or enhancing resiliency to rapid hydrological change or natural disaster, in addition to meeting project eligibilities under normal DWSRF rules and regulations.

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The State will commit federal funds to offer financial assistance to public and private water systems. These funds are used for a range of projects, including but not limited to plant replacement and upgrades, distribution system installation and repair, water loss management, treatment enhancements, storage improvements, water reuse initiatives, green infrastructure implementation, energy optimization measures, and resilience enhancement.

A portion of the Helene Capitalization Grant, up to 31%, can be designated as a "set aside" to directly support critical state staff, DWSRF administration, water system capacity development, operator certification, source water protection, small systems technical assistance, and the Public Water System Supervision (PWSS) program. However, Tennessee will prioritize project funding with this money and only use 4% of the set-asides for program administration. The federal government allows each state determines the allocation between water infrastructure projects and these set-asides based on its unique circumstances and needs.

As per Section 1452(b) of the Safe Drinking Water Act (SDWA), each state is required to prepare an Intended Use Plan (IUP) annually. The IUP outlines how the grant funds awarded to the state will be used and demonstrates how these uses align to safeguard public health and the environment. This comprehensive funding framework, supported by the EPA's Drinking Water Capitalization Grant program and the State's commitment, enables the financing of vital water system projects and the implementation of essential programs, ultimately promoting public health and environmental protection.

Capitalization Grants

This Intended Use Plan (IUP) is required under SDWA § 1452(b) to inform EPA and Tennessee stakeholders how the federal fiscal year (FFY) 2025 SA-HMW appropriations for the DWSRF loan program will be used. Stakeholders and interested parties can access a copy of this and other IUPs on [TDEC's SRF website](#).

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Drinking Water Supplemental Appropriation for Hurricanes Helene and Milton and the Hawai'i Wildfires

The State of Tennessee's capitalization grant allotment for the FFY 2025 Drinking Water SA-HMW funding is \$44,262,000. The State is not required to provide a match of federal funds to receive the capitalization grant allotment.

Drinking Water State Revolving Fund Program Goals

The U.S. Congress grants states the flexibility to shape their own DWSRF loan program, allowing Tennessee to establish its own program goals and framework to address the needs of local communities and water systems. By having the authority to establish its own goals and framework, Tennessee can optimize the use of DWSRF funds, allocate resources efficiently, and implement targeted initiatives that prioritize improving drinking water infrastructure. This state-level autonomy enables Tennessee to proactively address water quality concerns, enhance system resilience, promote sustainable practices, and effectively support the development of safe and reliable drinking water systems across the state.

Tennessee's DWSRF loan program has formulated a comprehensive framework of long and short-term goals for our response to Hurricane Helene. These goals serve as a guiding foundation for decision-making within the program, ensuring that Tennessee's response to disasters is impactful and effectively addresses the challenges faced by communities and water systems in the state. Tennessee has set its short- and long-term goals of this IUP to align with EPA's "Powering the Great American Comeback" Initiative, specifically Pillar 1: Clean Air, Land, and Water for Every American and Pillar 3: Permitting Reform, Cooperative Federalism, and Cross-Agency Partnership. DWSRF outputs and outcomes ensure commitments made by the State are properly correlated to the strategic goals and objectives of the EPA.

Long-Term DWSRF Loan Program Goals

1. Ensure a safe and adequate water supply for small communities by actively involving them in program participation.

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2. Provide financial assistance to projects which repair, replace, or fortify drinking water systems that were damaged by Hurricane Helene.

Short-Term DWSRF Loan Program Goals

1. Coordinate with current SRF loan recipients to determine the components of their ongoing projects which were damaged or destroyed by Hurricane Helene.
2. Restore disaster-damaged facilities to their pre-disaster design and function, including applicable codes and standards, to ensure access to safe drinking water for all communities.
3. Provide public assistance funding for cost-effective hazard mitigation measures for disaster-damaged facilities.

The DWSRF program strives to be a good partner with the EPA. Aligning the program goals is one part of the good partnership agreement both agencies maintain. Below is a table demonstrating the connection between the states program goals above and the goals outlined within the [EPA's strategic plan for FY 2022 -2026](#).

Tennessee has set its short- and long-term goals of this IUP to align with EPA's "Powering the Great American Comeback" Initiative, specifically Pillar 1: Clean Air, Land, and Water for Every American and Pillar 3: Permitting Reform, Cooperative Federalism, and Cross-Agency Partnership. DWSRF outputs and outcomes ensure commitments made by the State are properly correlated to the strategic goals and objectives of the EPA.

Tennessee SRF Outputs and Outcomes:

1. Output: Fund projects that restore the operation of drinking water facilities that were impacted by Hurricane Helene.

Outcome: Ensure that disaster-impacted communities have access to clean and safe drinking water.

2. Output: Promote funding for projects that improve a loan recipient's resilience to extreme weather and flooding.

Outcome: Increase the state's resilience to the impacts of flooding by reducing the risk to drinking water systems.

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3. Output: Coordinate with impacted communities which already have an on-going TN SRF loan.

Outcome: Build trust with impacted communities and reduce the financial impact placed on them by Hurricane Helene.

4. Output: Prioritize funding for projects that benefit underserved and disadvantaged communities, addressing environmental health disparities, and ensuring equitable access to clean water and sanitation services for all residents of Tennessee.

Outcomes: Improved public health and safety in vulnerable communities.

By aligning the goals of the Tennessee SRF program with those of the EPA, the state can leverage federal resources, expertise, and guidance to advance its priorities related to drinking water infrastructure, quality, and sustainability to benefit the health and well-being of its residents. Additionally, collaboration between the state and federal agencies can facilitate the exchange of best practices, data, and innovative solutions to address common challenges and achieve shared objectives more effectively.

Drinking Water Priority Ranking System

TDEC will use a priority ranking system specifically tailored to SA-HMW to develop a Priority Ranking List (PRL) for projects to be funded under DWSRF eligibility rules. This scoring system provides a clear, objective order of ranking water system infrastructure projects for eligible assistance recipients. The criteria focus on aiding impacted Tennessee communities with recovery and rebuilding damaged facilities as well as making existing, repaired, and new infrastructure more resilient, more affordable, and less vulnerable to future natural disasters and other threats to their stable operation. The full scoring criteria is available in the Appendix.

Applicants seeking funding must login to the TDEC Grants Management System (GMS) and create an account. Once the online GMS account is created the applicant can complete and submit a SA-HMW DWSRF Questionnaire detailing a project description, explanation of project need, project location, cost estimate, and project start and completion dates to the DWSRF loan program.

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Eligible Project Types

Projects eligible for SA-HMW DWSRF funding are described in the [SA-HMW Implementation Memo](#). For an activity to be eligible to receive SA-HMW DWSRF capitalization grant funding, it must be otherwise SRF eligible *and* serve one or more of the following purposes:

- Reduce flood or fire damage risk and vulnerability at treatment works as defined by section 1452 of SDWA.
- Enhance resiliency to rapid hydrologic change or natural disaster at treatment works as defined by section 1452 of SDWA.

List of Projects

In accordance with Section 1452(b)(3)(B) of the SDWA, TDEC SRF has developed a PRL to identify projects that may receive funding in the initial year following the grant award. The PRL contains essential information about each community, including project description, total priority points, Ability To Pay Index (ATPI), total project cost, population served by the water system, associated water system identification number, anticipated FFY 2025 SA-HMW Capitalization Grant principal forgiveness, expected construction start and end dates, and the projected terms of financial assistance.

The PRL contains a list of all eligible projects that entities provided during the solicitation period. For projects to receive project priority points, it must meet the ranking criteria. The ranking criteria are defined as:

1. The community must have submitted the last 3 fiscal years of audited financial statements to the comptroller's office; and
2. The community has demonstrated an impact to their system due to Hurricane Helene.

The Appendix contains the DWSRF PRL, which exclusively includes eligible projects where the requested assistance's total cost is at least equal to the amount of the FFY 2025 SA-HMW Allotment. This ensures that the PRL focuses on projects that align with the available funding and prioritizes those with the greatest need and potential impact.

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Funding of Projects

DWSRF loan program projects are prioritized based on the number of priority points awarded to them on the 2025 DWSRF PRL. The projects with the highest number of priority points and that are ready to proceed are given preference for funding. This prioritization emphasizes projects that are prepared to proceed with planning or construction, including those from small and disadvantaged communities, green and resilient infrastructure projects, and projects with subsidies. Once the EPA loan award date is determined, the SRF loan program will issue funding letters to all communities whose projects are listed on above the Ranking Line on the 2025 PRL. Project loans can be awarded on a monthly basis depending on the community's readiness to proceed and the scheduling of the Tennessee Local Development Authority board meeting. This systematic approach ensures the efficient allocation of resources to projects that are ready to move forward and supports the timely implementation of critical water infrastructure improvements across Tennessee.

Readiness to Proceed

Applicants can demonstrate their readiness to proceed by:

- Attesting that the three most recent fiscal years of audited financials have been submitted to and are on file with the State of Tennessee Comptroller;
- Uploading audited financial statements;
- Clearly identifying the legal entity requesting the loan (This should be the entity legally authorized to take on debt. This could be the utility name, municipal system, utility district or jointly operated system);
- Verifying the project description provided in the Questionnaire; and
- Demonstrating the impact to the system caused by Hurricane Helene.

If an applicant needs assistance with these steps or anything else related to getting through the project application process and to construction, TDEC will use resources from the 4% Admin funds to provide direct technical assistance either using TDEC staff or a contracted third party.

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Project By-Passing Procedures

Despite their ranking on the PRL, projects selected for loans may risk being bypassed if communities are unprepared, unable, or unwilling to proceed. However, TDEC is dedicated to collaborating with these entities at risk for by-passing to help maintain their project eligibility by providing technical assistance with the loan application process. The DWSRF program now facilitates the entire application process online via the Grants Management System (GMS) platform. After completing the Questionnaire, applicants must adhere to established timelines to advance their projects efficiently through the DWSRF process.

Subsidies and Affordability Criteria

The DWSRF loan program has established a range of opportunities through which communities and utility systems can harness SRF subsidies to their advantage. These options include reduced interest rates, which are detailed in the [ATPI Reduced Interest Rates](#) section, and principal forgiveness. By exploring these alternatives, applicants can endeavor to alleviate the financial strain associated with their drinking water infrastructure improvements. When seeking funding for infrastructure projects, communities and utility systems can leverage the program's subsidy strategies to their benefit.

The State is obligated to allocate 30% to 100% of the SA-HMW capitalization grant amount as an additional subsidy. In line with this obligation, the state of Tennessee has developed multiple assistance options to support eligible entities with projects that fulfill the criteria for small, disadvantaged communities.

Tennessee aims to ensure that subsidized funding reaches entities on the SA-HMW [Priority Ranking List](#) (PRL) that fulfill the eligibility requirements for small and disadvantaged communities. These efforts emphasize the state's commitment to providing targeted assistance and support to those in need while advancing sustainable and environmentally conscious water infrastructure projects.

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Base Capitalization Grant		
Capitalization Grant	Minimum (\$)	Maximum (\$)
\$44,262,000	\$22,131,000	\$33,196,500
ATPI	CWSRF Subsidy (%)	Dollar Amount
0-50	75%	\$5,000,000
60-100	50%	\$5,000,000

Table 1: SA-HMW DWSRF Available Subsidy

All principal forgiveness options are awarded on a “first-come-first-serve” basis for ready to proceed eligible entities until funds are no longer available. DWSRF will work to maximize an entity’s principal forgiveness where possible.

Principal Forgiveness for SA-HMW Award Recipients

All applicants receiving SA-HMW funding will receive principal forgiveness. The amount of principal forgiveness communities are eligible for will be determined based on the current ATPI. To be considered disadvantaged, the community must score 50 or less on the ATPI. The affordability score in the ATPI will also be used to prioritize projects that have scored the same number of points. To avoid multiple projects with the same score and ranking number on the PRL, communities with a lower affordability score and smaller populations will be given a higher ranking.

The DWSRF loan program designed a tiered subsidy award methodology for communities receiving SA-HMW funding corresponding to their ATPI with a maximum award of up to \$3-\$5 million determined based on the qualifying project proposals received:

- Disadvantaged Communities (0-50) will be awarded 75% in principal forgiveness
- Non-Disadvantaged Communities (60–100) will be awarded 50% principal forgiveness

Principal Forgiveness Eligibility Requirements:

1. All Communities receiving SA-HMW funding qualify regardless of ATPI
2. Projects must be on the current PRL
3. Projects shall be ready to proceed

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4. Entity must pass a financial sufficiency review by SRF
5. Projects must include construction (planning, design, and construction projects or construction solely).

ATPI Reduced Interest Rates

The Ability To Pay Index (ATPI) is a vital tool used by the State to allocate DWSRF subsidies and determine interest rates. Its creation and implementation are mandated by the Water Resources Reform and Development Act (WRRDA) of 2014 (33 U.S.C.A. §§ 2201 to 2355). The ATPI relies on a comprehensive socioeconomic and financial data database to aid in decision-making related to interest rates, subsidy allocation, and options designed to benefit communities with the greatest needs. This index is determined based on a standard distribution of affordability scores derived from nine factors specific to each community, including median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, expenditures, and change in population. To ensure accuracy, the ATPI will be updated annually to reflect the current fiscal capacity, economic trends, and changes within communities across the state.

Starting July 1, 2025, interest rates are set by the SRF program on a quarterly basis. Rates will be published on the first Monday of the first month of the quarter and based on 100 percent of the interest rate reported on the 20-year, 25-year, and 30-year Bond Buyer Index and the Municipal Market Data General Obligation Yields. Interest rate quarterly updates will be published to the SRF website.

A community's interest rate will be based partly on its ATPI. Interest rates can vary from 40 percent of the quarterly interest rate reported for communities with a low affordability score and low ATPI to 100 percent of the quarterly interest rate. The interest rates for utility districts and water authorities that have service areas in more than one county will be evaluated and ranked by utilizing the lowest ATPI for the county or city that directly benefits from the project(s) associated with the loan.

The State has developed a tiered interest rate reduction methodology corresponding to a community's ATPI. Low-range ATPIs (0-20) will be awarded a 0.40 multiplier. ATPI scores ranging from 30-40 will be awarded a 0.60 multiplier, 50-60 will be awarded a 0.80 multiplier,

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and ATPIs of 70 or greater will receive the standard reported interest rates. SRF interest rates are further stratified by the term of the loan. Once loan terms are established, the appropriate base interest rate is selected. The community ATPI is verified, then the multiplier corresponding to the ATPI is multiplied by the base interest rate to establish the SRF awarded interest rate. (Figure 1)

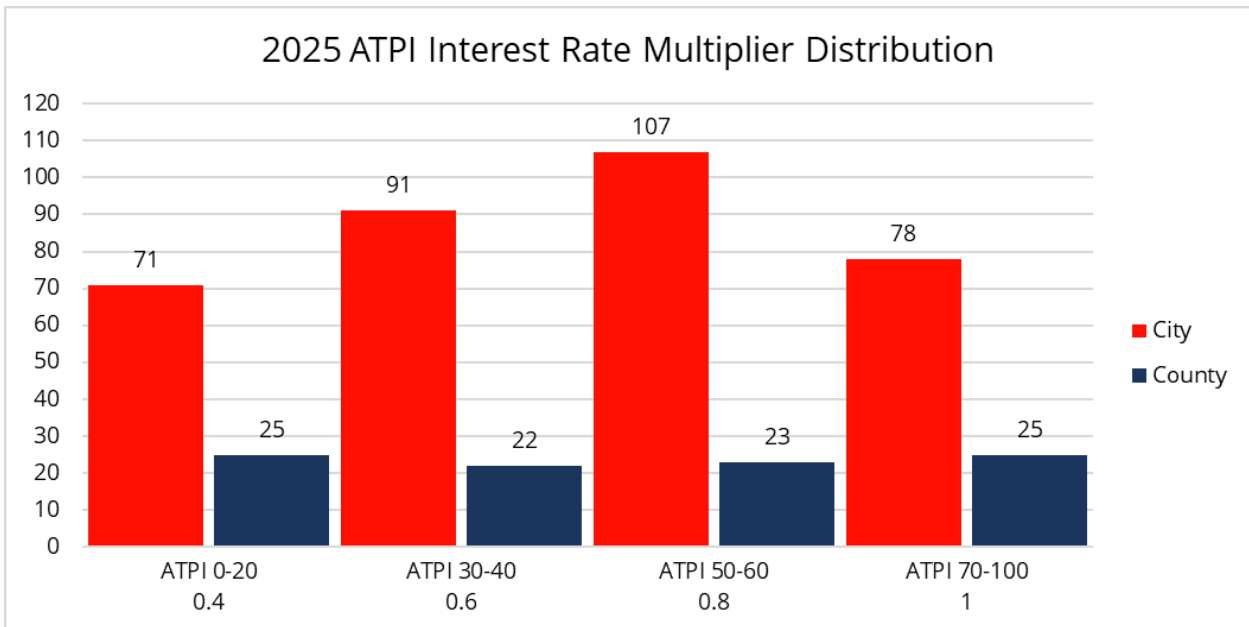


Figure 1: ATPI Interest Rate Multiplier Distribution

Sources and Uses of Funds

The State of Tennessee’s allotment for FFY 2025 DWSRF SA-HMW Capitalization Grant dollars is \$44,262,000. The State is not required to provide a match of federal funds. The SA-HMW Capitalization Grant, less \$1,770,480 of Administration set-asides will provide an expected \$42,491,520 in funds available for the DWSRF loan program in state fiscal year (SFY) 2027.

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Financial Status of Funds for the SA-HMW DW	
Prior-Year (FFY 2025) Carry-forward Funds*	\$0
Less Unliquidated Obligations	\$0
Principal repayments **	\$0
Loan Interest Income **	\$0
Treasury Interest Income **	\$0
FFY 2025 SA-HMW Grant	\$44,262,000
4% Admin Assistance	(\$1,770,480)
DWSRF Loan Program Project Funds***	\$42,491,520
* Estimated balance at June 30, 2025, pre-year-end adjustments	
** Principal, loan interest, and treasury interest for FFY 2023	

Table 2: Financial Status of Funds for the SA-HMW DWSRF Loan Program

Uses of Funds

The SDWA allows each state the flexibility to establish the allocation of funds from Capitalization Grants used for infrastructure loans, assistance to financially disadvantaged communities, and set-aside activities. The state, in turn, is responsible for directing the funds to address water infrastructure problems.

The primary use of the Capitalization Grant and state match funds is to provide low-interest loans and other financial assistance to municipalities and rural water districts for the construction of public water supply projects. This assistance can be provided as one of the following loans, planning, planning and design, or construction. It is to be noted that not all drinking water compliance problems can be solved through capital financing of infrastructure improvements.

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Set-Aside Activities

Sections 1452(g) and (k) of the Safe Drinking Water Act allow states to set aside up to 31% of the Capitalization Grant for specific activities. From the SA-HMW award, Tennessee intends to only utilize the SRF administration set-aside (4%) so as to maximize the funding available for SA-HMW projects. This amounts to \$1,770,480 in set-aside funding the DWSRF program will use for SA-HMW. Table 3 outlines the DWR funding source, program, amount of SA-HMW Capitalization Grant, and activities TDEC intends to fund through the set-aside allotment. Outcomes from these activities are reported to EPA in the DWSRF Annual Reports.

Category	Grant Amount	% of Funding
SRF Administration	\$1,770,480	4.00%

Table 3: DWSRF SA-HMW Set-aside Activities

Administrative and Technical Assistance

Of the 4% allowable administrative and technical assistance set aside, the SRF intends to use up to \$1,770,480 of the FFY 2025 DW SA-HMW Capitalization grant for administrative support, including staff time and third-party contracts, to support DWSRF applicants through the application process; training for state employees; general office supplies; equipment purchases (as needed), communication and printing, and rent of office space.

Loan Terms and Fees

The term for an SRF loan funded by the FFY 2025 SA-HMW funding is limited to a maximum of 30 years or the project's useful life, whichever is shorter and 40 or a projects useful life for qualifying disadvantaged communities. Additionally, a loan fee of 8 basis points (0.08%) is charged by the Office of State Government Finance for all DWSRF loans awarded on or after October 1, 2009. These fees serve to cover the costs associated with personnel, operations, loan administration, payment disbursement requests, repayments, and fund management within the State Government Finance office.

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Financial, Managerial, and Technical Capacity

Under Section 1452(a)(3) of the SDWA, the State is mandated to establish a process for evaluating the technical, financial, and managerial capabilities of water systems before granting a loan. On March 10, 1998, state law was amended to grant TDEC the authority to require new community water systems and non-transient, non-community water systems commencing operations after October 1, 1999, to demonstrate compliance with national primacy drinking water regulations, Tennessee SDWA provisions, and related rules. Furthermore, TDEC was empowered to develop a strategy to support PWSS (Public Water Supply Systems) in acquiring and maintaining the necessary capacities. The Capacity Development Program regulations for new systems came into effect on August 29, 1999. The state adheres to SDWA Section 1420(c)(3), which mandates evaluating the effectiveness of its capacity development strategy for ensuring the technical, managerial, and financial (TMF) capabilities of PWSS providers.

The DWSRF loan program ensures a system has TMF by conducting a Capacity Development Review (CDR) supporting an applicant's ability to adequately manage and operate a system as well as incur and repay a new debt. SRF loan applicants found to be in significant noncompliance will be required to demonstrate to the DWSRF loan program how their proposed project will achieve compliance.

The program assesses all systems and requires evidence of the applicant's managerial, technical, and financial capacity. This evaluation enables TDEC to recommend loan approval to the Tennessee Local Development Authority Board.

Davis-Bacon

The Davis-Bacon Act, 46 Stat. 1494 (Pub. Law 71-800), and Related acts apply to contractors and subcontractors performing on federally funded or assisted contracts over \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. The Davis-Bacon Act (DBA) and Related Acts require contractors and subcontractors to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors

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working on federal or District of Columbia contracts. The prevailing Davis-Bacon Act wage provisions apply to the “Related Acts,” under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

For prime contracts over \$100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. The overtime provisions of the Fair Labor Standards Act may also apply to DBA-covered contracts.

Disadvantaged Business Enterprise (DBE) Goals

Pursuant to 40 CFR § 33.301, the recipient agrees to make the following good faith efforts whenever procuring construction, equipment, services, and supplies under an EPA financial assistance agreement and to require that sub-recipients, loan recipients, and prime contractors also comply. Records documenting compliance with the six good-faith efforts shall be retained:

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal, State, and Local Government recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
3. Consider whether firms competing for large contracts could subcontract with DBEs in the contracting process. For Indian Tribal, State, and local Government recipients, this includes dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.

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4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance of the Small Business Administration (SBA) and the Minority Business Development Agency of the Department of Commerce.
6. If the prime contractor awards subcontracts, the prime contractor must take the steps in paragraphs (1) through (5).

The recipient agrees to comply with the contract administration provisions of 40 CFR, Section 33.302 (a)-(d) and (i). Recipients of a Continuing Environmental Program Grant or other annual reporting grant agree to create and maintain a bidders list. Recipients of an EPA financial assistance agreement to capitalize a revolving loan fund also agree to require entities receiving identified loans to create and maintain a bidders list if the loan recipient is subject to competitive bidding requirements. Please see 40 CFR, Section 33.501 (b) and (c) for specific requirements and exemptions.

A class exception to the entire Subpart D of 40 CFR Part 33 has been authorized pursuant to the authority in 2 CFR 1500.3(b). Notwithstanding Subpart D of 40 CFR Part 33, recipients are not required to negotiate or apply fair share objectives in procurements under assistance agreements. The recipient agrees to complete and submit an "MBE/WBE Utilization Under Federal Grants and Cooperative Agreements" report (EPA Form 5700-52A) annually when required.

American Iron and Steel

The American Iron and Steel (AIS) provision requires the DWSRF assistance recipients to use iron and steel products produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a PWSS or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014. AWIA extends the AIS provision for DWSRF projects through Fiscal Year 2023.

On October 23, 2018, the President signed AWIA, which includes several updates and revisions to the SDWA, including the DWSRF provisions. Section 2022 of AWIA amended Section 1452(a)(4)(A) of SDWA to extend the requirement for the use of American Iron and

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Steel (AIS) products in projects receiving financial assistance from the DWSRF during fiscal years 2019 through 2023.

Environmental Benefits

The State agrees to report the environmental benefits for each applicable loan using EPA's Office of Water State Revolving Funds (OWSRF) System. The following information will be entered into the OWSRF System no less than quarterly:

1. Type of GPR Project, if funded (green infrastructure, water efficiency, energy efficiency, environmentally innovative),
2. Amount of DWSRF loan and amount of GPR funding,
3. Brief description of the GPR project,
4. The amount of subsidy provided,
5. Population served by the project, and
6. Information on the Environmental Benefits of the SRF Assistance Agreements.

Copies of the reported information will be placed in the Annual Report.

Assurances and Specific Proposals

The State shall provide the necessary assurances and certifications described in the Operating Agreement submitted as part of the Capitalization Grant Application. This Operating Agreement is the official agreement between the State and EPA.

Pursuant to Section 1452 of the SDWA, the State certifies that:

- The State has the authority to establish a DWSRF loan program project loan fund and to operate the DWSRF loan program in accordance with the SDWA
- The State will comply with its statutes and regulations
- The State has the technical capability to operate the program
- The State will accept Capitalization Grant funds in accordance with a payment schedule

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- The State will deposit all Capitalization Grant funds in the DWSRF loan program project fund or set-aside account
- The State will deposit interest earnings and repayments into the DWSRF loan program project fund
- The State will use Generally Accepted Accounting Principles
- The State will have the DWSRF loan program project fund and set aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards
- The State will adopt policies and procedures to ensure that borrowers have a dedicated source of revenue for repayments
- The State will commit and expend funds as efficiently as possible and in an expeditious and timely manner
- The funds will be used in accordance with the IUP
- The State will provide EPA with an Annual Report
- The State will comply with all federal cross-cutting authorities
- In addition, the State certifies that it will conduct environmental reviews on water system projects to satisfy the National Environmental Policy Act-like requirements. The State's Environmental Review Process procedures are in the approved Operating Agreement.
- The State publishes the draft Intended Use Plan annually for public comment on the SRF and DWR websites. The State provides a 30-day public comment period followed by a public meeting where the details of the IUP are reviewed. Any public comments received during this period are responded to and posted as a public notice along with the updated IUP. Modifications are made to the IUP when needed and after appropriate public notice is given.
- The State opens the Solicitation for Drinking Water projects in the winter and the summer of every year.

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States can transfer up to 33% of the DWSRF Capitalization Grant from SA-HMW into the Clean Water State Revolving Fund (CWSRF) or an equal dollar amount from the CWSRF into the DWSRF. 40 C.F.R. § 35.3555(c)(8). Tennessee reserves the right to transfer between these funds at a future date.

Annual Report Requirements

Section 1452 of the SDWA requires the State to complete and submit an Annual Report within 90 days after the end of the fiscal year covered by the IUP. This report will contain detailed information on how the State has met the goals and objectives of the previous year as stated in the IUP and Capitalization Grant agreement. Additionally, the Annual Report identifies loan recipients (name and identification number), loan amounts and terms, green projects, projects receiving subsidization (principal forgiveness), amount of subsidy, similar details on other forms of financial assistance provided by DWSRF, the population of loan recipient, and other such information as EPA may require.

Amending the Intended Use Plan

The SRF loan program can amend the IUP to implement an efficient and effective program. Changes to the IUP that impact the program's administration will be made public on the SRF website and through appropriate communication channels.



Drinking Water State Revolving Fund

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Appendix A

Sources and Uses Table

Sources and Uses Summary				
Drinking Water State Revolving Fund SA-HMW Sources and Uses				
Administered by Tennessee Department of Environment and Conservation - State Revolving Fund Loan Program				
State Fiscal Year July 1, 2025 - June 30, 2026				
Sources and Uses	Federal Contribution	State Contribution	CW SRF Fund	Total
<i>Funding Sources</i>				
Prior Year Project Carry Forward Funds	\$ -	\$ -	\$ -	\$ -
Loan Repayments (P&I)	\$ -	\$ -	\$ -	\$ -
Investment Income	\$ -	\$ -	\$ -	\$ -
Banked Set Asides	\$ -	\$ -	\$ -	\$ -
FFY 2025 SA-HMW Grant	\$ 44,262,000	\$ -	\$ -	\$ 44,262,000
Totals for Funding Sources	\$44,262,000	\$0	\$ -	\$44,262,000
<i>Funding Uses</i>				
Project Disbursements	\$ 42,491,520	\$ -	\$ -	\$ 42,491,520
Set Asides Spending	\$ 1,770,480	\$ -	\$ -	\$ 1,770,480
	\$ -	\$ -	\$ -	\$ -
Total for Funding Uses	\$ 44,262,000	\$ -	\$ -	\$ 44,262,000

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Sources and Uses Table

Sources and Uses Detail		
Sources	%	Amount
Projects		
FFY 2025 SA-HMW Grant		\$44,262,000
Set Asides		-\$1,770,480
Total Project Fund		\$42,491,520
Set Asides		
Administrative Assistance		\$1,770,480
Total Available Set Aside Funds		\$1,770,480
Total Sources of Funds		\$44,262,000
Uses		
Projects		
Anticipated Loan Commitments SFY26		\$42,491,520
Anticipated Loan Commitments SFY27		\$0
Total Anticipated Loan Commitments*		\$42,491,520
Set Asides		
Set Asides		\$1,770,480
		\$1,770,480
Total Uses of Funds		\$44,262,000
* from PRL - maximum available for funding or all available projects (whichever is less)		



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Appendix B

DW Priority Ranking List

2026 DRINKING WATER STATE REVOLVING FUND
APPRPRIATIONS for HURRICANES HELENE and MILTON (SA-HMW)
Priority Ranking List
April 29, 2026

Total DWSRF Requested \$58,121,015
Estimated Amount of SA-HMW Principal Forgiveness \$41,090,761

* Disadvantaged Communities: Communities with an ATPI of 0-50 are considered a Disadvantaged Community and eligible for Principal Forgiveness.
** ATPI is the SRF's Ability To Pay Index (ATPI). The index scores entities on their economic health and financial stability.

Rank Order	Priority Points	Application ID	ATPI	Pop. Served	PWSID#	Local Government	County	Project Description	Total Project Amount (\$)	Estimated Amount of SA-HMW Principal Forgiveness (\$)	Anticipated Interest Rate (%)	Expected Term (Years)	Expected Loan Award Date (mm/yy)	Proposed Construction Start	Proposed Construction Completion
2026 RANKED PROJECTS															
1	65	32701-2026-33	20	683	TN0000480	Brownlow Utility District	Johnson	Waterline Extension (Installation of approximately 5,900 linear feet of 6-inch diameter waterline to provide an emergency connection between Mountain City and the Brownlow Sub-District; and the installation of approximately 1,500 linear feet of 4-inch diameter waterline to create a system loop, improve operations, and enable isolation during breaks or emergencies.)	\$3,500,000	\$ 2,625,000	1.32	20	May-26	Jan-27	Dec-27
2	60	2025-13781	40	17,355	TN0000266	Glen Hills Utility District	Greene	Waterline Replacement (Replacement of the West Allens Road bridge waterline the will be installed under the Nolichucky River to enhance resiliency to flooding.)	\$1,865,015	\$ 1,398,761	1.98	20	Aug-26	Apr-27	Sep-27
3	55	2025-13644	0	12,236	TN0000231	Erwin Utilities Authority	Unicoi	Distribution System Improvements (Construction of a 400 gpm Booster Pump Station with associated appurtenances near Jackson Love Road and S. Industrial Dr intersection; the installation of approximately 200 linear feet of 8-inch diameter DIP waterline to connect to the existing water main; and the demolition of the damaged Temple Hill Booster Pump Station. This project will relocate the pump station out of the 100-yr and 500-yr flood plain.)	\$1,500,000	\$ 1,125,000	1.47	30	Jul-26	Jul-27	Sep-27

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4	55	2025-13694	0	12,236	TN0000231	Erwin Utilities Authority	Unicoi	Water line Replacements (Installation of approximately 21,000 linear feet of 6-inch and 8-inch diameter ductile iron pipe and high-density polyethylene waterlines in the Temple Hill Pressure Zone to replace damaged water mains and improve system reliability and resilience.)	\$5,250,000	\$ 3,937,500	1.47	30	Jul-26	Sep-26	Jun-29
5	55	2025-13741	20	9,143	TN0000094	First Utility District of Carter County	Carter	Waterline Replacement (Installation of approximately 500 linear feet of 6-inch diameter ductile iron pipe on the Lynn Valley Bridge that was damaged during Tropical Storm Helene.)	\$900,000	\$ 675,000	1.47	30	Oct-26	May-27	Sep-27
6	50	2025-13673	20	3,529	TN0000282	Hampton Utility District	Carter	Distribution System Improvements (Construction of a new booster pump station and the installation of approximately 2,000 linear feet of 6-inch diameter waterlines along Hwy 19E near the Hampton High School; and abandonment of flood-impacted pump station and waterlines.)	\$1,000,000	\$ 750,000	1.47	30	Oct-26	Apr-27	Dec-27
7	50	2025-13668	40	26,657	TN0000273	Greenville Water Commission	Greene	WTP Improvements (Replacement of the raw water screening, repair river channel hydraulics, construction of an electrical room, installation of new pumps, relocation of two pumps and SCADA, electrical and HVAC improvements, a new security system, and other misc. work that was damaged due to Hurricane Helene.)	\$22,270,000	\$ 16,702,500	1.98	20	Jan-27	Aug-27	Aug-29

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Rank Order	Priority Points	Application ID	ATPI	Pop. Served	PWSID#	Local Government	County	Project Description	Total Project Amount (\$)	Estimated Amount of SA-HMW Principal Forgiveness (\$)	Anticipated Interest Rate (%)	Expected Term (Years)	Expected Loan Award Date (mm/yy)	Proposed Construction Start	Proposed Construction Completion
8	50	2026-13809	40	32,490	TN0000221	Elizabethton	Carter/ Washington	WTP and Distribution System improvements (Installation of a SCADA system at 10 water storage tanks, 13 booster pumping stations, and 3 water treatment plants to enhance resiliency to rapid hydrological change and reduce flood risk and vulnerability.)	\$1,900,000	\$ 1,425,000	2.21	30	May-26	Sep-26	Dec-27
9	45	32701-2026-118	0	12,236	TN0000231	Erwin Utilities Authority	Unicoi	Waterline Extension (Installation of approximately 21,000 linear feet of 6-inch and 8-inch diameter waterline to connect the Luttrell Zone to the Temple Hill Pressure Zone to provide resiliency and redundancy.)	\$3,500,000	\$ 2,625,000	1.47	30	Jul-26	Oct-26	Jan-28
10	45	32701-2026-99	20	1,226	TN0000584	Roan Mountain Utility District	Carter	Waterline Replacement (Installation of approximately 20,000 linear feet of 6-inch diameter PVC waterline and the replacement of approximately 1,200 linear feet of 6-inch and 8-inch diameter cast iron and ductile iron pipe along Hwy 19E, Hampton Creek Road, and State Route 143 that were damaged during Hurricane Helene.)	\$1,900,000	\$ 1,425,000	1.32	20	Jan-27	Jun-27	Jun-28
11	35	2025-13792	10	27,637	TN0000374	LaFollette	Campbell	WTP Improvements (Installation of a whole plant permanent generator with an automatic transfer switch to enhance resiliency to rapid hydrological change.)	\$1,386,000	\$ 1,039,500	1.32	20	Mar-26	Jan-27	Dec-27



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Rank Order	Priority Points	Application ID	ATPI	Pop. Served	PWSID#	Local Government	County	Project Description	Total Project Amount (\$)	Estimated Amount of SA-HMW Principal Forgiveness (\$)	Anticipated Interest Rate (%)	Expected Term (Years)	Expected Loan Award Date (mm/yy)	Proposed Construction Start	Proposed Construction Completion
12	35	2025-13793	60	105,057	TN0000331	Johnson City	Washington/Sullivan/Carter/Unicoi	Water Meter Replacement (Installation of approximately 45,000 AMI meters throughout the service area and the implementation of a meter data management system for enhancing resiliency to rapid hydrological change.)	\$10,000,000	\$ 5,000,000	2.64	20	Oct-26	Jan-27	Jan-30
13	30	32701-2026-111	20	6,244	TN0000646	South Elizabethton Utility District	Carter	Waterline Replacement (Replacement of approximately 300 linear feet of 10-inch diameter ductile iron pipe on Gap Creek; and the installation of approximately 650 linear feet of 8-inch diameter high-density polyethylene waterline at the Earl Taylor Road Water Storage Tank to reduce flood risk and vulnerability.)	\$350,000	\$ 262,500	1.32	20	Mar-26	12/1/2026	5/28/2027
14	25	2026-13817	40	14,369	TN0000108	Chucky Utility District	Greene/ Washington	New Water Storage Tank (Construction of two 250,000-gallon water storage tanks to enhance resiliency to rapid hydrological change.)	\$2,800,000	\$ 2,100,000	2.21	30	Mar-26	Dec-26	Sep-27
Totals:									\$ 58,121,015	\$ 41,090,761					

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Appendix C

SA-HMW DWSRF Scoring Criteria

#	Criteria	Priority Points	Max Points
1	What is the primary purpose of the proposed project?		15
	o Reducing flood risk and vulnerability	5	
	o Enhancing resiliency to rapid hydrological change	5	
	o Mitigating potential damage from future natural disasters	5	
2	Does the proposed project move existing infrastructure out of the floodplain or fortify infrastructure within the floodplain?		15
	o Project relocates and/or improves infrastructure to ensure continued operation during a 500-year flood event	15	
	o Project relocates and/or improves in infrastructure to ensure continued operation during a 100-year flood event	10	
	o Neither	0	
3	Does the project provide redundancy/resiliency for critical treatment and/or transmission/distribution system functions including cybersecurity and/or backup electrical power source?		10
	o Yes	10	
	o No	0	
4	Will the proposed project include a system merger or regionalization?		10
	o System Merger	10	
	o System Regionalization	10	
	o Neither	0	
5	Will the proposed project result in reducing water use or energy use at least by 20%?		5
	o Yes	5	
	o No	0	
6	What best describes the infrastructure of the applicant due to damages sustained from Hurricane Helene?		20
	o Completely inoperable	20	
	o Operational but damaged	10	
	o Fully operational with minimal damage	5	

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	<input type="radio"/> Fully operational	0	
7	What percentage of commercial, residential, wholesale, etc. customers was lost due to Hurricane Helene?		20
	<input type="radio"/> 71-100	20	
	<input type="radio"/> 41-70	15	
	<input type="radio"/> 21-40	10	
	<input type="radio"/> 0-20	0	
8	Do you have an existing SRF loan still in repayment?		5
	<input type="radio"/> Yes	5	
	<input type="radio"/> No	0	
Bonus	Does the proposed project replace, repair, or rehab infrastructure damaged by Hurricane Helene?		20
	<input type="radio"/> Yes	20	
	<input type="radio"/> No	0	
MAXIMUM TOTAL POINTS			100 (120)