

SFY 2023 Safe Drinking Water Loan Program Responses to Public Comments

A 22-day public comment period for the SFY 2023 Safe Drinking Water Loan Program (SDWLP) Intended Use Plan (IUP) opened on June 13, 2022 and closed on July 5, 2022. The comments and the corresponding responses are listed below. In many cases, the comments have been shorted to highlight their recommendations. We appreciate the engagement we received and the patience commenters have shown while awaiting responses.

Comment 1

Submitted by Randall R Kerkman, Village of Bristol

- 1. Comment:** All tables generally refer to the municipality as a whole, rather than assessing the demographics of the utility service area. For example, in Bristol, the Utility Service area is a much smaller population than the overall community (approximately 50% or less). This affects both our population score and our median household income score, and other scores as well. This orientation assumes that a high income household on a rural estate with private water and sewer systems can somehow help to pay for water utility infrastructure within the utility service area, presumably through taxes. This assumption is in contrast to Public Service Commission rules which generally do not allow residents or tax payers that do not receive services from the utility to pay for the utility. Therefore, the DNR should make an option to evaluate our eligibility based on the demographics of the service area rather than the demographics of the municipality as a whole.

So, there are many Bristol Residents that are in poverty and the current way grants are funded greatly increases the cost of those in Bristol that are in poverty compared to Cities that meet the poverty level as a community.

Response: Data for Tables 2, 3, and 6 come from the American Community Survey, and generally, the data the DNR will use for each applicant for those tables is at the Census Place level. Data for Tables 3 and 6 are available to the Census Tract level and data for Table 2 is available down to the Census Block Group level. In most cases, neither the tract nor combination of block groups will align with the service area boundary. In the case where a municipality would like Census data to be more reflective of its water service area, requesting a custom tabulation from the Census Bureau as described in NR 166 Wis. Adm. Code is appropriate.

Tables 1 and 4 use municipal data from DOA's Demographic Service Center, which does not provide data at a more granular level. Table 6 uses county-level data from the Wisconsin Department of Workforce Development, which does not provide data at a more granular level in a way that could be used for the whole state.

2. **Comment:** Table 3 - Family Poverty Percentage is weighted with a total possible score of 100. This overall weighting is the same as Table 1 - Population (with the lowest population receiving the highest points) which also has a total possible score of 100 points. Under State Statute 2861.61(11), population has always been one of two pillars of the SDWL and Principal Forgiveness eligibility. This pillar is now having its significance diminished by weighting Family Poverty Percentage equally. This significance of population is also diminished each time a new criteria is added. What role did the State Legislature or a committee of elected officials have in this revision? One possible solution would be to lower the weighting of Table 3 or increase the weighting of Table 1.

Response: We believe the commenter is referring to s. 281.61(11), Wis. Adm. Code. If so, that section speaks to interest rate subsidy, not principal forgiveness. No changes are being made to the criteria that establish subsidized interest rates.

Regarding diminishing significance of the population criterion in the principal forgiveness scoring methodology, the commenter is correct that population represents a smaller percentage of total possible points, but the difference is not significant. In the proposed methodology, population represents 100 of the possible 360 points, or 28%. Previously, the maximum population score was 50 points of a possible 165 points or 30%.

3. **Comment:** The current criteria tables need to be balanced out with additional criteria of the affordability of water. A new table should be added that evaluates the expected water rates for the applicant after project implementation relative to the ranking of all water utilities in the state with the highest quintile receiving the highest points. This should be weighted, at minimum, evenly with Table 3 - Family Poverty Percentage.

Response: Low water rates do not necessarily correlate to affordability. Any affordability measure would not be able to simply compare rates for all utilities because that does not take into consideration rate payers' ability to pay those water bills.

Truly assessing affordability for applicants presents challenges. In order to assess water rate affordability, DNR would likely need to collect data from applicants that could be manipulated or would need verification. Lastly, one of our goals with this PF scoring methodology was to keep them similar between the CWFPP and the SDWLP. Because PSC does not regulate sewer rates, there is a high degree of variability in sewer rates, which would make any rate comparison criterion only feasible for the SDWLP.

4. **Comment:** The overall criteria seem to work together to overwhelmingly support poor rate payers by prioritizing lead service line removal, low median household income, lowest quintile household income, high poverty, and low unemployment. As a result, it is likely that the largest utilities will qualify for most of the principal forgiveness. Large utilities do not require the same increment of infrastructure as small utilities and a routine project at a large utility will not have nearly the same financial impact to the average customer compared to the same project in a small utility. Therefore, this criteria seemingly over-emphasizes poor rate payers and diminishes the significance of the issue of water rate affordability. How will the DNR revise the criteria to account for water rate affordability.

Response: 100 of the possible 360 points (28%) in the PF scoring methodology are for municipal population size. No population points are awarded to municipalities with population sizes 10,000 or greater.

The amount of PF any municipality can receive in one state fiscal year is capped at \$1,500,000. This policy is based on the idea that larger utilities can achieve economies of scale not feasible for smaller utilities. In addition, the PF cap helps to distribute PF to a larger number of applicants and prevents all of the PF from going to just a few high-cost projects in a given year.

Another benefit available to small utilities is the subsidized interest rate. Municipalities with a population less than 10,000 and MHI less than or equal to 80% of Wisconsin's MHI are eligible for a greater subsidized interest rate.

Comment 2

Submitted by:

- Richard Diaz, Coalition on Lead Emergency
- Janet Pritchard, Environmental Policy Innovation Center

1. **Comment:** Draft IUP maintains the past practice in Wisconsin of assessing PF eligibility in relation to water system's entire service area, but WDNR has indicated an interest in using project-centered spatial boundaries to assess PF factors in relation to the new LSL replacement program to be more fully described in amendments to the IUP later this year. We propose that WDNR should also allow project-based spatial boundaries for assessing PF scores in future IUPs for the general SDWLP as well.

WDNR should consider assessing economic indicators (i.e. Tables 2, 3, and 5) for the census tracts most directly served by the proposed project instead, particularly in the case of LSL replacement projects and climate resiliency projects, as these types of projects can have very localized impacts.

Response: Given that many projects' benefits are not specific to an area or a particular neighborhood, incorporating more granular data into the PF scoring criteria would have to be limited to a few types of projects. Because water systems must keep water rates equal, providing principal forgiveness based on the demographics of the project area would benefit the entire water system, not just the rate payers in the project area. Conversely, if DNR were to adopt a more granular data approach, a project in a less burdened part of an otherwise disadvantaged community may not receive much or any PF, which would ultimately negatively impact all rate payers.

DNR plans on allowing more granulated data to be used for the SFY 2024 Lead Service Line Replacement Program, which are projects that clearly benefit a specific area.

2. **Comment:** We support expanding the point scale for awarding PF points for population trends to include more tiers, as well as doubling point values compared to past IUPs, to reflect and retain the criterion's significance in the methodology. We contend, however, that WDNR should award points based on significant population loss over recent as well as future decades.

It makes sense to consider population decline in this context because communities with a declining population have a declining base of ratepayers to pay for maintaining and upgrading water infrastructure. The proposed methodology awards points to communities for which a population decline of at least 5% is anticipated over the next 20 years. Using the current year as the baseline for awarding PF points for population decline presents an incomplete picture of the relationship between population decline and community capacity to pay for water infrastructure needs, however.

In addition to awarding PF points to communities anticipating a future decline in population, the methodology should award points where the number of residents and businesses served by water systems have significantly declined over recent decades.

Response: The future population trend criterion provides more PF points to municipalities that will lose population over time. Providing PF to municipalities with a declining population should help address challenges they may have with loan repayments for the project being financed. Using past population trends relates to the overall affordability of the water system as a whole and is beyond the scope of what project-based principal forgiveness is intended to address.

3. **Comment:** Allowing PF points for communities with an MHI up to 126% of the state MHI or poverty rates as low as 8% of families with income below 200% of the federal poverty level may result in a set of "disadvantaged communities" which is overly broad and inconsistent with US EPA suggestions in its recent memorandum. Whether or not Wisconsin's distribution of PF using these scales would be overbroad, however, will depend on the scales defined in Table 7 as well as on how communities are ranked for the distribution of PF and any annual caps imposed on how much PF each community can receive. We strongly support scaled eligibility for PF as indicated in Table 7.

To ensure the equitable distribution of PF, WDNR should strictly adhere to Table 7 when allocating PF, without the imposition of flat caps. Were it not for the imposition of flat caps on PF, we believe that WDNR's proposed revised methodology for PF would be a best practice example of how PF could be equitably distributed.

Response: The mentioned "overly broad" point tiers represent a small percentage of the total PF points available. An applicant would need to score high in other categories to qualify for PF.

The SDWLP is a statewide program that needs to consider statewide needs. The program has a limited amount of PF, and at the time of writing the IUP, DNR cannot anticipate the amount of requested funds for the year. The amount of PF any municipality can receive in one state fiscal year is capped at \$1,500,000. This policy is based on the idea that larger utilities can achieve economies of scale not feasible by smaller utilities. In addition, the PF cap prevents a few high-cost projects from accessing the majority of PF available in a given year.

4. **Comment:** To ensure that the integrity of the proposed methodology for distributing PF is retained while also recognizing that there may not be enough PF available to award PF to every community to the level indicated in Table 7, we offer two alternative methods for PF distribution.

Alternative 1: Equitably distribute PF through several rounds until PF is exhausted. Available PF could be distributed to eligible applicants over 2 to 4 rounds of PF distribution. The amounts of PF distributed to communities per round should be scaled with reference to Table 7 and not dictated by flat caps. For example, if PF were distributed over the course of 3 rounds, each community could be awarded an amount equal to 1/3 of the percentage of project costs for which the community is eligible per Table 7. So, if Table 7 determined that a community is eligible for up to 30% of its project costs as PF, it would be awarded PF in the amount of 10% of project costs in round 1, another 10% of project costs in round 2, and the final 10% of project costs in round 3 (if PF is still available).

Alternative 2: Waive the cap on PF in the event of unaffordable water rates. In addition to the kinds of factors already considered in Tables 1-6, US EPA suggests water rate burden as a factor to consider for PF eligibility. US EPA recommends prioritizing PF for systems where combined water and sewer drinking water rates are greater than 2% of the 20th percentile household income (i.e., the lowest quintile of income for the service area). In the June 16, 2022 webinar on the Draft IUP, WDNR explained that water rate burden was not included in the proposed methodology for PF eligibility because rate increases related to SDWLP-funded projects are typically not determined until after the annual IUP and project priority list for the SDWLP that determines loan and PF awards has been finalized.

Where water rates charged by the applicant water system already exceed the affordability threshold proposed by US EPA (greater than 2% of the 20th percentile household income), however, WDNR should waive the flat cap on PF and instead award PF to the level determined in Table 7. In addition, it should be possible for an applicant water system to anticipate where the rate increase needed to pay for the proposed water project would require water rates to be increased above the affordable water rate burden threshold. Where the water system can demonstrate that this would be the case, the flat cap on PF should likewise be waived.

Response: The IUP detailed a revision to the PERF score that will provide a boost on the funding list for projects in disadvantaged communities. As evidence of this, out of the 3,435 PERF points

awarded on the SFY 2023 Final Funding List, 873 points were awarded (25%) for financial need and 2,562 were awarded for aspects of the project. For more on this subject, please see our response to 5., below.

Adopting either one of the alternatives would introduce greater complexity into the PF scoring methodology. DNR intends to incorporate the new Emerging Contaminants and Lead Service Line programs into the SFY 2024 Funding List, which will add complexity for the DNR and for customers. However, the PF for the new SDWLP Emerging Contaminants Program will be allocated in two separate passes, similar to the commenter's suggestion for alternative 1. Refer to the Emerging Contaminants Program Amendment to the SFY 2023 SDWLP IUP for more information.

5. **Comment:** The Project Evaluation Ranking Formula (PERF) awards points to rank projects on Wisconsin's Project Priority List (PPL) according to the severity of the water quality problem that will be addressed by the proposed project. Tables 1-6 provide a scoring matrix that awards PF points to communities based upon various factors for assessing affordability and disadvantage. Both factors—the severity of the water problem addressed and the need for additional subsidization—must be considered to fulfill the SRFs' objective. Moreover, these should be considered separately and not conflated. Ranking projects and principal forgiveness separately allows each ranking system to do what it does best. For communities with sufficient fiscal capacity to repay SRF loans, prioritization on the PPL will be sufficient for communities to access SRF loan financing to implement needed projects. But there is a severe risk that communities with a high degree of financial hardship or vulnerabilities will not be able to finance water infrastructure projects using SRF loans alone without raising water rates to unaffordable levels. If PF is not available for communities with the highest PF scores, the SRFs will fail to fulfill their statutory objective.

The proposed reform to how Financial Need is calculated for PERF is insufficient to ensure that the most disadvantaged communities that qualify for SRF assistance on the PPL will be prioritized to receive PF. The revised methodology would add financial need points equivalent to 15% of the PF score to the PERF score for SDWLP projects. This means that a community that receives the maximum amount of PF points under Tables 1-6 (360 points) would be awarded 54 points for financial need. This amounts to only 3% of the total 1,747 available PERF points. Accordingly, a project which qualifies above the PPL cut-off line and has a very high PF score might nevertheless receive \$0 in PF if other projects with lower PF scores rank about it on the PPL.

To avoid this inequitable outcome, we recommend the following alternative: To be eligible to receive principal forgiveness, a project should first be required to rank about the cut-off point on the state's PPL, ranked according to the PERF. To distribute principal forgiveness across the projects on the PPL, however, the state should re-rank these qualifying projects according to their PF scores. This is important to ensure that the most disadvantaged communities will

receive PF in amounts sufficient to enable them to implement projects necessary to address severe water quality concerns without driving their water rates to unaffordable levels.

Response: Ranking projects on the Funding List according to their PERF score, which prioritizes projects that address the greatest risks to human health and includes financial need criteria, provides incentives for systems to take on projects that tackle public health concerns. The Safe Drinking Water Act requires that the priority be given to projects that address the most serious risk to human health and assist systems most in need on a per household basis. Allocating PF in PF score could result in the same communities receiving PF each year and does not take into consideration the details of the project.

As mentioned in the comment, the financial need points in the PERF have been changed for SFY 2023. Although there are many PERF points available, the actual amount awarded tends to be much less than the total number of points available. For example, the average high PERF score on the funding list for the last five years is 437. Out of the 3,435 PERF points awarded on the SFY 2023 Final Funding List, 873 points were awarded (25%) for financial need and 2,562 were awarded for public health aspects of the project. The mean score for the Project Points section was 43. With that in mind, the changes to the financial need scoring have made a meaningful difference in boosting projects on the funding list according to their financial need.

Receiving principal forgiveness does not necessarily equate to more affordable water rates. PF is only suited to benefit the entire water system, not just the rate payers that are in need.

6. **Comment:** The Draft IUP articulates some new goals for the SDWLP, including the following:
- Research methods to provide additional assistance to water systems with programs that assist low-income rate payers.
 - Explore avenues to support pre-apprenticeships, registered apprenticeships, and youth training programs that open pathways to employment.
 - Encourage public water systems to plan for the impacts of extreme weather events and provide funding through the SDWLP for projects that implement sustainability and resiliency.

In addition to the policies relating to PF eligibility and distribution discussed above, these goals underscore WDNR's understanding of how water systems can reflect and shape broader equity issues and its commitment to the strategic use of SDWLP assistance to build greater equity within and between Wisconsin communities. We also welcome goals articulated in the Draft IUP relating to LSL replacement, and look forward to providing suggestions on how the LSL goals might be implemented in future LSL-specific comments we will share with WDNR over upcoming months. Here, we urge the following:

- a. Use banked set aside funds from FY 2022 federal grants to provide technical assistance on workforce development, climate resiliency, ensuring water affordability.
We support WDNR's proposal to set aside the full amount of Wisconsin's FY 2022 federal grants for technical assistance allowed by federal law, including the banking of set aside funds above the amounts needed to implement assistance described in section XV of the Draft IUP. WDNR should use a portion of the banked funds to develop and offer technical assistance related to the goals cited above. Technical assistance such as guidance and workshops can help public water system administrators understand and emulate best practices for using water infrastructure investments to build a local, equitable workforce. Guidance, toolkits, and best practice case studies can likewise help water system administrators analyze affordability issues in the communities they serve and develop appropriate affordability strategies. The same is true in relation to developing projects geared to withstanding and mitigating the impacts of extreme weather events. The provision of planning grants to public water systems to enable them to design and implement workforce development, affordability, and resiliency practices are also very important. These are all allowable uses of set-aside technical assistance funds, and we look forward to further discussion on how to best deploy set aside funds towards these goals.

- b. Use bonus PERF points to incentivize public water systems to pursue equitable workforce development, climate resiliency, and affordability strategies
The Draft IUP employs two tactics to incentivize public water systems to take steps towards goals the state seeks to advance through the SDWLP. To operationalize the goal of "incentiviz[ing] public water systems to implement corrosion control study recommendations, develop and maintain asset management plans, and execute partnership agreements," WDNR proposes awarding PERF points to applicant water systems that have taken steps to implement these goals. In future IUPs, WDNR should consider introducing similar measures to incentivize and reward applicants that have taken meaningful steps to implement workforce development, climate resiliency, and affordability goals.

- c. Use bonus PF to incentivize public water systems to pursue equitable workforce development and affordability strategies.
Another tool WDNR has deployed to reward certain desired practices in the Draft IUP is the award of additional PF eligibility, over and above the amount that would be awarded in accordance with Tables 1-7. WDNR proposes in the Draft IUP that projects in municipalities that are Green Tier Legacy communities and/or are in municipalities providing disinfection where it was not provided previously are eligible for an additional 10% of project costs as PF. It is very important that such use of bonus PF is closely scrutinized to ensure that it does not essentially water down PF eligibility determined in accordance with indicators of disadvantage assessed through Tables 1-7. While we are not disputing the proposed use of bonus PF for Green Tier Communities or disinfection

at this time, we feel that use of bonus PF for implementing significant workforce equity and affordability measures would be much more appropriate, as these goals relate more directly to equity issues which are at the heart of PF eligibility as determined by Tables 1-7.

Response: Thank you for these suggestions. The goals referenced in the comment remain goals for the SDWLP and we will report on progress made towards these goals in the Annual Report.

7. **Comment:** We also appreciate that WDNR offered a webinar to explain key proposals in the Draft IUP. The webinar was scheduled for just 3 days after it was announced. While it is helpful that a recording of the webinar has been posted to WDNR's website, more advance notice may have allowed more stakeholders to join the live webinar and pose questions or comments about the Draft IUP. While it is appropriate for WDNR to provide the webinar fairly soon after a Draft IUP is published, it should be possible to estimate the IUP publication date and schedule and advertise the webinar date/time further in advance.

Extending the comment period between the publication of the Draft IUP and comment deadline, to 60 days or at least 30 days rather than only 20 days, would help to allow stakeholders to formulate and vet comments within the comment period. In addition to written comments, we urge the WDNR to convene an on-line public hearing on future Draft IUPs. While the explanatory webinar is very useful for helping stakeholders understand the Draft IUP and WDNR's rationale for its policy proposals, a formal public hearing would allow stakeholders to publicly respond to the Draft IUP, and to hear other stakeholder views as well.

Response: While the webinar to discuss the IUP did fall 3 days after the publication of the IUP, we first advertised the webinar on our website 10 days before and sent out an email notification somewhere around that time. We recognize that more time would be helpful, and we will attempt to provide at least two weeks' notice of any planned IUP webinar.

It was our intention to extend the public comment period to 30 days this year, but the additional work presented by the Bipartisan Infrastructure Law made that unattainable. We were able to post the Lead Service Line and Emerging Contaminants Amendments to the IUP for 30 days.

Comments in support of the IUP:

- The alignment of affordability criteria across the SDWLP and CWLP, including indicators relating to the prevalence and severity of poverty, unemployment rates, and population trends, are welcome developments.
- The proposed use of scaled indices to award points for multiple relevant factors and arrive at a scaled PF score for each SDWLP project represents a thoughtful and appropriate approach to defining "disadvantaged communities" eligible for principal forgiveness.
- To the extent that flat caps remain on PF, we are pleased to see the cap increased from \$500,000 to \$1,500,000 per applicant.

- WDNR’s proposal to award PERF points for Financial Need derived from an applicant’s PF score is a more equitable way to award PERF points for Financial Need than the prior policy, which awarded Financial Need points only to very small communities.
- We strongly endorse WDNR’s proposals to award PERF points for projects that will remove lead service lines (LSLs). The points proposed for LSL projects more appropriately prioritize LSL projects on the PPL, in line with other projects addressing serious public health concerns.
- We support WDNR’s proposal to set aside the maximum allowed from federal DWSRF capitalization grants to build state capacity to deliver the SDWLP program, including innovative policies and programs to ensure progress towards the program’s equity goals.
- We also support WDNR’s proposal to set aside the maximum allowed from federal DWSRF capitalization grants to provide local capacity building and other technical assistance and state program administration, and the proposed uses to which these funds are allocated.
- We appreciate WDNR’s efforts to address a number of concerns we raised in June 2021 comments to the Draft IUP for FY 2022 SDWLP projects in this Draft IUP for the FY 2023 program, and for WDNR’s engagement with COLE and affiliated organizations and other concerned stakeholders on these issues over the intervening year.
- WDNR proposes to align the relative weight accorded to community size relative to economic indicators with the relative weight WDNR has accorded to these factors for PF distribution in prior SDWLP and CWLP IUPs. Up to 200 points can be awarded for economic indicators (MHI + poverty rates), compared to up to 100 points for community size. Additional points are awarded based on population trends (up to 15 points), county unemployment (up to 25 points), and lowest quintile income (up to 20 points). We agree with the relative weight accorded to these factors in the proposed methodology.
- WDNR proposes to retain the use of a community’s median household income (MHI) as an economic indicator, using a scale similar to that used in prior CWLP and SDWLP IUPs (Table 2). In addition, WDNR proposes to add poverty rates (% of families with income below 200% of the Federal Poverty Level) as an economic indicator (Table 3), to extend the use of population trends (Table 4) and unemployment rates (Table 5) to both programs, and to add points for severely impoverished communities, as indicated by lowest quintile income (Table 6). COLE supports WDNR’s goal of aligning affordability criteria across the SDWLP and CWLP and including poverty data, population trends, and unemployment rates.

Comment 3

Submitted by Patrick W. Pauly, P.E., Milwaukee Water Works

1. **Comment:** First, with regard to the SDWLP funds in the form of principal forgiveness loans, MWW respectfully recommends adjusting the cap of how much any one community can receive as principal forgiveness. While a limit of \$1.5 million in principal forgiveness is a significant figure for small utilities, it is an extremely low amount for larger utilities that have larger capital investment needs. MWW recognizes that there are limited funds available and that smaller communities may have difficulty incurring debt sufficient to finance certain projects. However, incurring debt can also be problematic for large utilities like MWW. After many years of major

capital investments in a system that provides drinking water to more than 860,000 people, MWW's debt to equity ratio is approaching the recommended threshold identified by the Public Service Commission. MWW will not be appreciably incentivized to accelerate Capital Improvement projects if the access to principal forgiveness loans is limited as the IUP proposes.

Milwaukee Water Works respectfully recommends that the DNR consider making any limit on principal forgiveness relative to the capital needs of the utility, which are often commensurate to the population served and the total value of a utility's infrastructure. A larger population requires a greater overall investment in maintaining infrastructure. This should be recognized in the allocation of principal forgiveness loans.

Response: The SDWLP is a statewide program that needs to take into account statewide needs. The program has a limited amount of PF, and at the time of writing the IUP, DNR cannot anticipate the amount of funds that will be requested for the year. The SFY 2023 IUP raises the PF cap three-fold to \$1,500,000. This policy is based on the idea that larger utilities can achieve economies of scale not feasible for smaller utilities. In addition, the PF cap prevents a few high-cost projects from accessing the majority of PF available in a given year. We will continue assessing the PF cap each year during IUP development so it is possible that the cap will be increased further in subsequent years.

- 2. Comment:** Second, with regard to the loans subsidized at 55% and 33% of the state's market rate, MWW was disappointed to learn that the DNR continues to use population as the primary determining factor. When determining which subsidized loan rate will apply, the draft IUP imposes a population criteria of 10,000 or fewer in order to receive the 33% rate. Communities with a population greater than 10,000 have zero chance of accessing the 33% rate, and can only access the 55% rate. This is unfair to any disadvantaged community with a population of greater than 10,000, of which there are several in Wisconsin.

MWW respectfully recommends that the DNR eliminate the "population of 10,000 or fewer" criteria, which serves as a gateway to accessing the 33% subsidized interest rate, and replace it with one of the new criteria the DNR has added to the scoring rubric for accessing principal forgiveness funds. For example, utilizing family poverty percentage or lowest quintile household income can help more accurately gauge the severity of poverty in a given community. Milwaukee Water Works has essential capital investment needs in the range of \$40-\$50 million per year over the next six years, and the ability to access loans at the 33% rate would be beneficial.

Response: Although the IUP describes the interest rate subsidy, the criteria and policy come from Wisconsin Statute and Wisconsin Administrative Code. No changes can currently be made in the IUP that would impact how the interest rate subsidy is determined.

- 3. Comments:** Additionally, with regard to the Priority Evaluation and Ranking Form, Milwaukee Water Works views the inclusion of certain available points only for communities that have fewer than 10,000 residents as discriminatory towards the many 10,000+ resident communities across Wisconsin with significant number of low-income individuals and limitations on their ability to incur debt. As stated previously, the ability to incur debt does not necessarily correspond to the size of a utility. MWW respectfully recommends revising the consideration of “population less than 10,000” alone as a factor, and establishing a more nuanced criteria that equitably considers a utility’s ability to incur debt as well as the population they serve.

Response: In recent years, in order to receive Financial Need points in Section II of the Priority Evaluation and Ranking Form, the municipality’s population must have been less than 10,000 and the median household income less than or equal to 80% of the state’s MHI. Starting in SFY 2023, points are instead awarded to any municipality that receives points in Tables 1–6 of Section XI.A of the Final IUP. This system will award the most points to small, economically burdened municipalities, but large, economically burdened communities will still receive priority points. See the second paragraph of Section X in the Final IUP for more information.