


WAUKESHA WATER PROJECT

Utility nets \$116 million loan for infrastructure

Low-cost federal WIFIA
loan could reduce
projected rate increases

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WAUKESHA — The Waukesha Water Utility has been awarded a \$116 million low-interest loan from the federal government that is expected to significantly lower borrowing costs associated with piping Lake Michigan water between Milwaukee and Waukesha.

The U.S. Environmental Protection Agency or (EPA) announced this week that the utility was one of 39 projects across the country to receive financing assistance through its Water Infrastructure Finance and Innovation Act (WIFIA) program. The program is designed to provide long-term, low-cost supplemental loans for regionally and nationally significant water infrastructure projects.

The \$116 million loan the Waukesha Water Utility

will receive is expected to cover 40 percent of the \$286.2 million in infrastructure costs related to the Lake Michigan diversion project.

“WIFIA is absolutely the best financing vehicle we can have for the amount of money we are obtaining,” Mayor Shawn Reilly said Friday of the news.

Reilly and Waukesha Water Utility General Manager Dan Duchniak added that the utility expects to get enough low-cost loans through the state’s Clean Water Fund, and other programs, to cover much of the remaining \$163 million cost of the project.

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Rates

In addition to lowering the overall cost of the diversion project, Duchniak said the WIFIA loan could also end up lowering the utility's current projections for rate increases related to the project. He noted, however, that the actual impact on rates won't be known until the utility gets closer to finalizing the loan terms late next year.

Waukesha water customers saw their first rate increases related to the diversion project this June, when a "return flow" charge was added to water and sewer bills. Currently 62 cents for every 1,000 gallons

of water consumed, the charge was added to pay for the 15-mile pipeline that will return water to Lake Michigan.

According to utility projections, the return flow charge is expected to increase to \$1.84 per 1,000 gallons of water consumed next year, or about \$22.19 per quarter for an average residential user. Regular sewer and water rates are also expected to increase gradually over the next five years, with average quarterly bills for water, sewer and return flow charges currently projected to total \$324 by the year 2023.

'The cheapest money we can get'

What makes the WIFIA loan a better deal for the utility and ratepayers, said

Duchniak, is that it allows the utility to borrow the money over 35 years, and negotiate the terms of the loan. The interest rates for WIFIA loans are also based on the U.S. Treasury rate, which Duchniak said should be lower than anything the utility could get on the revenue bond market.

"We would probably be at around the 4 percent mark right now (on the bond market)," he said, adding that with bonding, they would only be able to amortize it over 20 years.

"This is the best way for us to minimize costs to the ratepayer, because it is the cheapest money we can get," said Duchniak.

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