



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
Bureau for Public Health

Bill J. Crouch  
Cabinet Secretary

Office of Environmental Health Service

Rahul Gupta, MD, MPH, MBA, FACP  
Commissioner  
State Health Officer

**MEMORANDUM**

**TO:** Marie Prezioso, Funding Committee  
WV Infrastructure and Jobs Development Council

**THROUGH:** Patrick M. Murphy, P.E., Director  
Environmental Engineering Division *PM*

**FROM:** Robert W. DeCrease, P. E. *RWD*  
Water Technical Review Committee

**DATE:** July 24, 2018

**RE:** Craigsville PSD  
IJDC Preliminary Application Number: 2015W-1590 (Old 2014W-1517)  
Water Treatment Plant Improvement Project  
Nicholas County

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1. The Committee has reviewed the pre-application and preliminary engineering report submitted for the above referenced project in accordance with Chapter 31, Article 15-A. It has been determined that the project is:
  - a.  Consistent with the intent of the Infrastructure and Jobs Development Act and is the most cost-effective and environmentally sound alternative for solving the drinking water needs in this area.
  - b.  Consistent with the Act but may not be the most cost-effective and environmentally sound alternative for solving the drinking water needs in this area.
  - c.  Consistent with the intent of the Act and most cost-effective and environmentally sound alternative for solving the drinking water needs in this area **except** that certain issues need to be addressed prior to design and construction, as the attached comments indicate.

2. Our recommendation is that:

- a. \_\_\_\_\_ The Funding Committee needs to review the proposed sources of funding to determine the best mix of grant and/or loan funds in accordance with applicable guidelines.
- b.  The Funding Committee should recommend that Council approve the proposed project and its funding plan.
- c. \_\_\_\_\_ The Funding Committee does not need to review the funding assumptions on this project because of deficiencies in the application. The proposed project funding should be postponed until technical comments have been resolved.
- d. \_\_\_\_\_ The project to be referred to the Consolidation Committee.

3. Other remarks:

The PSC cash flow analysis indicates the calculated proposed user rate is **\$36.46 for 3,400 gallons (1.40% MHI)** and will provide an annual cash flow *deficit* of **\$1,430** and debt service coverage of **116.19%** using the preferred funding package.

An additional 0.19% (for a total of **\$36.53 for 3,400 gallons**) increase in proposed rates would be required to provide a cash flow *surplus* of **\$520** and a debt service coverage of **116.62%**.

This project is a resubmittal of application 2014W-1517 which was recommended by the Consolidation Committee to continue its own water project versus becoming a purchase system from the City of Summersville as a result of city's desire not to intervene or negotiate a lower resale rate to make that alternative more competitive.

RWD:ped

pc: OEHS Beckley DO  
To be distributed at the Funding Committee Meeting



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**MEMORANDUM**

**TO:** Robert W. Decrease, P.E.  
Manager, Infrastructure & Capacity Development

**FROM:** Paul E. Daniels, P.E. *PED*  
Infrastructure & Capacity Development

**DATE:** July 24, 2018

**SUBJECT:** IJDC Application- 2015W-1590 (Old 2014W-1517)  
Craigsville PSD – Water Treatment Plant improvement Project  
Nicholas County

**RECOMMENDATION:**

This preliminary application appears technically feasible and is recommended to be forwarded to the Funding Committee.

**PROJECT SCOPE:**

This project will upgrade the existing water treatment plant to 900 gpm and install a dedicated waterline from the water treatment plant to existing elevated water storage tanks. The project will consist of a new raw water intake screen and hydroburst system, raw water pump station, flocculator, sedimentation basin, filter equipment, backwash solids pump station, chemical feed system, painting four (4) existing water tanks, approximately 4 miles of 10" water line, and all necessary appurtenances.

The cost per customer is **\$4,450.08**. The estimated total project cost is **\$8,068,000** [DWTRF Loan: **\$1,818,000** (1.0% for 30 years, 0.25% admin fee); DWTRF Design Loan: **\$500,000** (1.0% for 30 years, 0.25% admin fee); USDA Loan: **\$5,000,000** (2.375% for 38 years); USDA Grant: **\$750,000**].

In the previously submitted project, the cost per customer was **\$3,839.71**. The estimated total project cost was **\$7,522,000** [RUS Loan: **\$3,022,000** (1.0% for 40 years); RUS Grant: **\$750,000**; IJDC Loan: **\$2,000,000** (1.0% for 40 years); IJDC Grant: **\$750,000**; SCBG Grant: **\$1,000,000**].

The Project cost has increased **\$546,000** since the last submittal. Approximately 30% is in Construction Costs due to increases in equipment cost and approximately 70% is in Soft Costs due to adding needed line items that was not included in the previous submittal and adjustments in some of the other line items.

**NEED FOR THE PROJECT:**

The preliminary engineering report indicates that the water treatment plant is over 50 years old and has exceeded its useful life. The plant has only one sedimentation basin. The plant is pitted, rusty and leaking. Much of the plant and raw water pump station is built below the 100 year flood plain. The water treatment plant operates on average 17 hours per day with peaks within the last two years of 23.5 hours per day. WVBPH Public Water Systems Design Standards 64CSR77-6 states the following: "All treatment processes with only one (1) unit shall be capable of meeting the projected maximum daily demand in eight (8) hours of operation or less to provide "down time" for repairs and maintenance." The sedimentation basin does not meet detention time standards as indicated in 64CSR77-6.2.c.1. The project will bring the treatment units above the 100 year flood elevation and reduce operating times to less than 8 hours to come into compliance with design standards. The new sedimentation basin will also be dual train to better allow maintenance.

The preliminary engineering report also indicates that four of the existing water storage tanks need to be painted. The December 10, 2012 WVBPH Sanitary Survey for Craigsville PSD recommended painting three (3) of the four (4) tanks. The oldest tank was built in 1962 and it is not known when or if it has been repainted. Two of the tanks were repainted in 1996. The last tank was built in 1997 and has never been repainted. The project will repaint the four tanks inside and out.

Craigsville PSD has an unaccounted for water rate of 37% which is above the PSC recommended maximum of 15%. This project will include a water loss study and installation of leak test stations throughout the system.

**CONCERNS:**

The WVIJDC application states an expected increase in operation and maintenance expenses of \$26,674. The preliminary engineering report indicates an increase of \$6,174 as a result of the project. The District should clarify the expected increase in operation and maintenance expenses, and provided supporting calculations.

**PERMITS:**

A permit **will be** required from the WV Bureau for Public Health prior to construction.

Construction activities with a disturbed area of one (1) acre or greater are required to register for the NPDES Storm Water Construction General Permit No. WV0115924.

A Certificate of Convenience and Necessity will be required from the PSC.

A permit for stream crossings may be required.

A permit from the WV Division of Highways will be required for the construction activities that will take place within WVDOH right-of-ways.

**ENGINEERING FEES:**

The engineering design fees for this project are “on” the curve for average complexity and very complex for both new construction and modified construction costs as referenced in the American Society of Civil Engineers manual of practice. The total fees for this project are “above” the curve for average complexity and very complex for both new construction and modified construction costs as referenced in the American Society of Civil Engineers manual of practice. The sponsor will need to make a written request for a waiver approval from WVIJDC for the total fees.

**ASSET MANAGEMENT PLAN AND ANNUAL MAINTANENCE AUDIT:**

The IJDC application states that Craigsville PSD does **not** have a formal asset management plan in place and has **not** completed an annual maintenance audit for the current year.

**CAPACITY DEVELOPMENT:**

The IJDC application states that the Craigsville PSD has **not** completed a Capacity Development Analysis (CDA) within the last 5 years. Bureau for Public Health Records confirms the system has **not** participated in a CDA within the last 5 years.

**RANKING:**

- Public Health Benefit: 5
- Compliance: 10

**PUBLIC SERVICE COMMISSION STAFF  
TECHNICAL REVIEW**

**DATE:** July 10, 2018

**PROJECT SPONSOR:** CRAIGSVILLE PUBLIC SERVICE DISTRICT (WATER)

**PROJECT SUMMARY:** Upgrade existing water treatment plant, construct new 50,000 gallon water storage tank, and dedicated water distribution line from water plant to existing water storage tanks.

<b>PROPOSED FUNDING:</b> DWTRF Loan 1%, 30 yrs. with .25% Admin Fee	\$1,818,000
DWTRF Design Loan 1%, 30 yrs., .25% Admin Fee	500,000
USDA Loan 2.375%, 38 yrs.	5,000,000
USDA Grant	<u>750,000</u>
	<b>\$8,068,000</b>

<b>CURRENT</b>	\$29.45	3,400 Gallons
	\$34.48	4,000 Gallons

<b>PROPOSED RATES:</b>	\$36.46	3,400 Gallons
	\$42.68	4,000 Gallons

Application No. 2015W-1590

**RECOMMENDATION:**  forward to the Funding Committee  
 forward to the Consolidation Committee  
 return to the Applicant

**FINANCIAL:** William Nelson

1. Using the Scenario 3 revised preferred funding package of an DWTRF Loan of \$1,818,000 at 1% for 30 years with a .25% Administrative Fee, a DWTRF Design Loan of \$500,000 at 1% for 30 years with a .25% Administrative Fee, a USDA Loan of \$5,000,000 at 2.375% for 38 years, and a USDA Grant of \$750,000, proposed rates (\$36.46 for 3,400 gallons) will provide a cash flow deficit of \$1,430 and a debt service coverage of 116.19%. An additional 0.19% (for a total of \$36.53 for 3,400 gallons) increase in proposed rates would be required to provide a cash flow surplus of \$520 and a debt service coverage of 116.62%.

CRAIGSVILLE PUBLIC SERVICE DISTRICT  
 CASH FLOW ANALYSIS  
 YEAR ENDED: June 30, 2017  
 APPLICATION NO: 2015W-1590  
 July 10, 2018

**REVISED PREFERRED FUNDING PACKAGE  
 SCENARIO 3**

**Based on \$750,000 Grant Funding  
 and \$7,318,000 Loan Funding  
 PER IJDC REQUEST**

	Rule 42 Going Level Per Application Before Project	Rule 42 Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<b>AVAILABLE CASH</b>				
Operating Revenues	1,041,511	1,289,032	2,000 (1)	1,291,032
Other Operating Revenue	24,961	30,893	-	30,893
Interest Income & Other Misc.	5,158	5,158	-	5,158
<b>Total Cash Available</b>	<b>1,071,630</b>	<b>1,325,083</b>	<b>2,000</b>	<b>1,327,083</b>
<b>OPERATING DEDUCTIONS</b>				
Operating Expenses	754,609	760,840	87 (2)	760,927
Taxes	29,950	30,812	-	30,812
<b>Total Cash Requirements Before Debt Service</b>	<b>784,559</b>	<b>791,652</b>	<b>87</b>	<b>791,739</b>
Cash Available for Debt Service (A)	287,071	533,431	1,913	535,344
<b>DEBT SERVICE REQUIREMENTS</b>				
Principal & Interest (B)	229,872	457,355	1,685 (3)	459,040
Other Debt	11,753	11,753	-	11,753
Reserve Account @ 10%	8,066	30,815	168 (4)	30,983
Renewal & Replacement Fund (2.5%)	26,791	33,127	(79) (5)	33,048
<b>Total Debt Service Requirement</b>	<b>276,482</b>	<b>533,050</b>	<b>1,774</b>	<b>534,824</b>
SB 234 Cash Working Capital	38,804	-	-	-
<b>Remaining Cash</b>	<b>(28,215)</b>	<b>381</b>	<b>139</b>	<b>520</b>
Percent Coverage (A) / (B)	124.88%	116.63%		116.62%
Average rate for 3,400 gallons	\$ 29.45	\$ 36.46	\$ 0.07	\$ 36.53
Average rate for 4,000 gallons	\$ 34.48	\$ 42.68	\$ 0.09	\$ 42.77

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1)	<b>Operating Revenues</b>		
	<b>Per Staff Analysis</b>	1,291,032	2,000
	<b>Per Application with Project</b>	1,289,032	
	Staff projected that an additional \$2,00 in revenues would be needed to achieve 115% debt coverage and a positive cash balance.		
(2)	<b>Operating Expenses</b>		
	<b>Per Staff Analysis</b>	760,927	87
	<b>Per Application with Project</b>	760,840	
	To adjust operation and maintenance expenses per the difference in administrative fee calculation for DWTRF loans.		
(3)	<b>Principal &amp; Interest</b>		
	<b>Per Staff Analysis</b>	459,040	1,685
	<b>Per Application with Project</b>	457,355	
	The difference in P&I is related to Staff's calculation of loans of \$1,818,000 for 30 years at 1%, \$500,000 for 30 years at 1% and \$5,000,000 for 38 years at 2.375%.		
(4)	<b>Reserve Account @ 10%</b>		
	<b>Per Staff Analysis</b>	30,983	168
	<b>Per Application with Project</b>	30,815	
	Staff assumed a 10% reserve on the new debt.		
(5)	<b>Renewal &amp; Replacement Fund (2.5%)</b>		
	<b>Per Staff Analysis</b>	33,048	(79)
	<b>Per Application with Project</b>	33,127	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement reserve.		





## Region 4 Planning and Development Council

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June 12, 2018

Wayne Morgan, P.E.  
Executive Director  
West Virginia Infrastructure and Jobs Development Council  
1009 Bullitt Street  
Charleston, WV 25301

Re: Craigsville Public Service District – Water Plant Upgrade  
Project #2015W-1590 - Funding Scenario Change Request

Dear Mr. Morgan:

Per the recommendation of the West Virginia Infrastructure Jobs and Development Council (WVIJDC) dated June 05, 2015 (attached), the funding scenario for the above referenced project was established as being comprised of the following:

SCBG	\$1,500,000.00
RUS Grant	\$1,200,000.00
RUS Loan (3%, 40 yrs)	\$2,818,000.00
IJDC District 3 Loan (3%, 20 yrs)	\$2,550,000.00
<b>Total Project Cost</b>	<b>\$8,068,000.00</b>

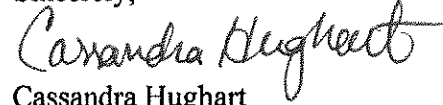
The Craigsville Public Service District's (District) intent is to move forward with pursuing the funding scenario described below in an effort to move the project forward in a timelier manner.

DWTRF Loan (1%, .25 admin fee, 30 yrs)	\$1,818,000.00
DWTRF Design Loan (1%, .25% admin fee, 30 yrs)	\$500,000.00
USDA Loan (2.375%, 38 yrs)	\$5,000,000.00
USDA Grant	\$750,000.00
<b>Total Project Cost</b>	<b>\$8,068,000.00</b>

On behalf of the District and at its request, we ask that the Infrastructure Council please consider this request at its next meeting.

Thank you for your time and assistance regarding this matter, and if you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Cassandra Hughart". The signature is written in a cursive style with a large initial 'C' and a long, sweeping tail on the 't'.

Cassandra Hughart  
Community Project Specialist

Enclosure (1)