



west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street, SE
Charleston, WV 25304
Phone: 304-926-0495 / Fax: 304-926-0463

Harold D. Ward, Cabinet Secretary
dep.wv.gov

MEMORANDUM

To: Marie Prezioso, Chair
Meredith J. Vance, Director, Environmental Engineering Division, BPH

From: Katheryn Emery, P.E. Engineer Chief
Sewer Technical Review Committee

Date: June 21, 2024

Subject: Town of Franklin
Preliminary Application: IJDC No. 2024W-2495
Water Distribution System Improvements Project

-
1. This committee has reviewed the preliminary application and engineering report submitted for the above referenced project in accordance with Chapter 31, Article 15A. It has been determined that the proposed project is:
 - a. Consistent with the intent of the Infrastructure and Jobs Development Act and is the most cost-effective, environmentally sound alternative for solving the water needs in this area.
 - b. Not consistent with the Act and may not be the most cost effective, environmentally sound alternative for solving the wastewater needs in this area.
 - c. Same as (a) above 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 the 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 engineering report. The proposed project should be tabled for the consultant to address technical comments.
- d. ___ This project should be referred to the Consolidation Committee.

3. Other remarks:

The project consists of replacing the existing waterline in the Entry Mountain area of Franklin. This will address the amount of water loss in the existing line that does not have enough water to hydrants and residents.

The proposed total cost for this project is \$1,700,000.00 and the town intends to pursue a \$1,200,000 DWTRF Principal Forgiveness, and a \$500,000 IJDC Grant. The project only qualifies for \$850,000 in Principal Forgiveness. The DWTRF would be willing to fund the remaining \$400,000 with a 0.25% interest, 0.25% administrative fee, 40 year loan. According to the PSC alternative cash flow analysis, a \$0.43 rate increase would be needed to accommodate the additional borrowing.

Using the Combined Application, the Total Engineering Fee and the Design Fee appear to be within the ASCE curve.

Preliminary Project Ratings:

Public Health Benefits: 10
Compliance with Standards: 15



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MEMORANDUM

TO: Katheryn Emery, P.E., Engineer Chief, DWWM

FROM: Spencer Fultineer, DWWM

DATE: June 10, 2024

SUBJECT: Town of Franklin
Preliminary Application: IJDC No. 2024W-2495
Water Distribution System Improvements Project

RECOMMENDATION

The IJDC Application and Preliminary Engineering Report prepared by The Trasher Group for the above referenced project has been reviewed and is technically feasible.

PROJECT DESCRIPTION

The Town of Franklin owns and operates an existing water treatment and distribution system operating under Public Water System Identification number (PWSID#) WV3303602 that serves 717 customers in Pendleton County, WV. The PSD also sells water to the Pendleton County PSD.

This project proposes to replace the Class 160 PVC waterline in the Entry Mountain area of Franklin.

The proposed total cost for this project is \$1,700,000.00 and the town intends to pursue a \$1,200,000 DWTRF Principal Forgiveness, and a \$500,000 IJDC Grant.

NEED FOR PROJECT

The project will address the water loss from the Entry Mountain waterline which has experienced numerous breaks due to significant age and that failed to provide enough water to hydrants on the line several times during a recent forest fire that threatened the area. The proposed project will complete the necessary rehabilitation of this area of the Town's distribution system.

According to a 2021 Sanitary Survey, from July 1, 2019 to June 30, 2020, the town of Franklin experienced a 46.8% water loss.

DEFICIENCIES/COMMENTS

- Using the Combined Application, the Total Engineering Fee and the Design Fee appear to be within the ASCE curve.
- A permit will be required from the WV Bureau for Public Health prior to construction.

Preliminary Project Ratings:

Public Health Benefits: 10
Compliance with Standards: 15

Public Service Commission of West Virginia

201 Brooks Street, P.O. Box 812
Charleston, West Virginia 25323

Phone: (304) 340-0300
Fax: (304) 340-0325



June 10, 2024

Meredith J. Vance
Office of Environmental Health Services
350 Capitol Street, Room 313
Charleston, West Virginia 25301-3713

Re: Public Service Commission Staff Review Comments
Application No. 2024W-2495
Town of Franklin, Water system improvements
Infrastructure Preliminary Application

Dear Ms. Vance:

As requested, the Technical Staff of the Public Service Commission of West Virginia has completed its review of the above-referenced Infrastructure application. In light of Technical Staff's comments enclosed herewith, we are recommending the application be:

- forwarded to the Funding Committee
 forwarded to the Consolidation Committee
 returned to the Applicant

Please advise if you have any questions.

Sincerely,

Jonathan M. Fowler
Jonathan M. Fowler, P.E.
Engineering Division

Enclosures
JMF:vb

**PUBLIC SERVICE COMMISSION STAFF
TECHNICAL REVIEW**

DATE: June 10, 2024

PROJECT SPONSOR: TOWN OF FRANKLIN – (WATER)

PROJECT SUMMARY: Project will replace mains in several areas.

PROPOSED FUNDING: DWTRF Principal Forgiveness Loan	\$1,200,000
IJDC District 2 Grant	<u>500,000</u>
Total	\$1,700,000

CURRENT RATES:	\$64.49	3,400 gallons
	\$74.75	4,000 gallons

PROPOSED RATES:	\$106.94	3,400 gallons
	\$123.95	4,000 gallons

Application No. 2024W-2495

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

FINANCIAL: William Nelson

1. Current rates (\$64.49 for 3,400 gallons) are above the rates attributable to 1.25% (\$60.27), of the Median Household Income (MHI), but below the rates attributable to 1.5% (\$72.32), 1.75% (\$84.37), and 2% (\$96.43) of the MHI. Increasing current rates to 1.5%, 1.75% and 2% of the MHI would provide additional revenues of \$62,199, \$157,933, and \$253,667 respectively.
2. Using Scenario 1, the preferred funding package consisting of a DWTRF Principal Forgiveness Loan of \$1,200,000, and an IJDC District 2 Grant of \$500,000, proposed rates (\$106.94 for 3,400 gallons) will provide a cash flow surplus of \$9,645 and debt service coverage of 136.88%.

3. Using Scenario 2, alternate loan package of \$1,700,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed rates (\$106.94 for 3,400 gallons) will provide a cash flow deficit of \$101,216 and debt service coverage of 100.94%. An additional 12.3% (for a total of \$120.09 for 3,400 gallons) increase in proposed rates will be required in order to provide a cash flow surplus of \$184 and debt service coverage of 128.03%.
4. Notes to Comments:
 - A. Staff's detailed adjustments are listed on Attachment A for Scenario 1 (Preferred Funding Package) and Attachment B for Scenario 2 (Loan Package).
 - B. Staff prepared the attached Cash Flow Analysis utilizing information from the Annual Report for the Fiscal Year Ended June 30, 2023, and the Applicant's Revised Cash Flow Statement.
 - C. Staff notes the Applicant is requesting a waiver of Rule 42 Exhibit requirement.
 - D. The going level adjustments included in the project sponsor's revised cash flow include adjustments for a Phase 1 (IJDC No. 2019W-1845) and Phase 2 (IJDC No. 2022W-2109) projects. It should also be noted that the project sponsor's accountant filed a revised cash flow indicating a proforma rate of \$106.94 (3,400 gallons).
 - E. Staff calculated its Cash Flow Analysis for Scenario 2 based on the Applicant's proposed rate (\$106.94 for 3,400 gallons) from its Scenario 1 analysis.
 - F. Senate Bill 234, effective June 12, 2015, required water and sewer utilities that are political subdivisions of the state to maintain a cash working capital reserve in an amount of no less than one-eighth (1/8) of actual annual operation and maintenance expenses. It should be noted that the cash flow provided by the project sponsor includes funding for the 1/8 cash working capital reserve. Staff accepted that amount in its analysis. However, this amount may be reviewed by

the Commission in future filings in accordance with Public Service Commission General Order 183.11.

G. Senate Bill 234 (2015) required, pursuant to WV Code 24-2-4b (b), that municipally operated utilities shall consider a reasonable plant-in-service depreciation expense for rates and charges. The project sponsor should take this into consideration when preparing its Rule 42. Municipals that do not provide for a reasonable depreciation expense risk delays in Certificate of Convenience and Necessity filings if rates are determined to not be sufficient.

H. Based on the Town's Per Books Adjusted and Going-Level deficit it should consider pursuing an ordinance to adjust rates and resolve any deficiencies. The Town should carefully evaluate its revenue requirements before passing a rate ordinance in order to ensure that rates are sufficient to provide a reasonable surplus and meet coverage requirements. Calculations to support the revenue projections should also be provided.

ENGINEERING: Jim Spurlock

1. This project may not require a Certificate of Convenience and Necessity from the PSC. The project sponsor should consult Staff pursuant to General Order 246 for such determination. If a Certificate is required, utility should reference this application number on the PSC's Form No. 4 when its application is filed at the Commission given the requirement of West Virginia Code 24-2-11 (c) and (e). Staff notes that an affirmative determination of need for the project must be established in a Certificate filing at the PSC.
2. Scope: The Town of Franklin proposes to install 10,500 feet of 6-inch water mains, along with valves, hydrants, and appurtenances, in the Entry Mountain area. This is Phase III of a series of water distribution system improvements. The new lines will replace aged, failing waterlines, which have experienced numerous breaks. The PER explains that breaking mains were a hindrance to firefighters in 2023 during a forest fire in the area.

Customer Density: N/A (No new customers)

Cost per Customer: \$2,368 (taken from the total project cost estimate of \$1,700,000 spread over 718 existing customers).

3. **Project Feasibility:** The project is technically feasible. The cost per customer is reasonable. The project will improve water and fire service in the area by replacing problematic water mains.
4. **Project Alternatives:** The nature of the project does not lend itself to alternatives besides "do nothing".
5. **Consolidation:** No consolidation opportunities are presented by the project.
6. **Inconsistencies:** None were noted.
7. **Operation and Maintenance (O & M) Expenses:** O & M expenses are not projected to change as a result of the project.
8. **Engineering Agreement:** The application includes information to determine compliance with West Virginia Code §§5G-1-1, et seq. Total technical services (engineering) costs for the project are \$290,000 which is equal to 23.39% of the construction cost of \$1,240,000 (including contingency).

TOWN OF FRANKLIN - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2023
 APPLICATION NO: 2024W-2495
 June 10, 2024

**PREFERRED FUNDING PACKAGE
 SCENARIO 1**

	Cash Flow Going Level Per Application Before Project	Cash Flow Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	614,662	835,763	(49,667) (1)	786,096
Other Operating Revenue	6,921	6,921	-	6,921
SB 234 Annual Working Cash Collections	-	-	57,299 (2)	57,299
Interest Income & Other Misc.	9,011	9,011	-	9,011
Total Cash Available	630,594	851,695	7,632	859,327
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	458,394	458,394	-	458,394
Taxes	13,496	13,496	-	13,496
Total Cash Requirements Before Debt Service	471,890	471,890	-	471,890
Cash Available for Debt Servi (A)	158,704	379,805	7,632	387,437
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	283,054	283,054	-	283,054
Other Debt	-	-	-	-
Reserve Account @ 10%	17,614	17,614	-	17,614
Renewal & Replacement Fund (2.5%)	15,765	21,292	(1,467) (3)	19,825
Total Debt Service Requirement	316,433	321,960	(1,467)	320,493
SB 234 Cash Working Capital	57,299	57,299	-	57,299
Remaining Cash	(215,028)	546	9,099	9,645
Percent Coverage (A) / (B)	56.07%	134.18%		136.88%
Average rate for 3,400 gallons	\$ 77.93	\$ 106.94	\$ -	\$ 106.94
Average rate for 4,000 gallons	\$ 90.33	\$ 123.95	\$ -	\$ 123.95

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Revenues	Per Staff Analysis	786,096	(49,667)
	Per Application with Project	835,763	
Adjust revenues based on the proposed proforma 37.2% increase in rates from going level rates. Also, adjust in accordance with PSC General Order 183.11.			
(2) SB 234 Annual Working Cash Collections	Per Staff Analysis	57,299	57,299
	Per Application with Project	-	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	19,825	(1,467)
	Per Application with Project	21,292	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

TOWN OF FRANKLIN - WATER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2023
APPLICATION NO: 2024W-2495
June 10, 2024

LOAN PACKAGE
SCENARIO 2

	Cash Flow Going Level Per Application Before Project	Cash Flow Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	614,662	835,763	54,333 (1)	890,096
Other Operating Revenue	6,921	6,921	-	6,921
SB 234 Annual Working Cash Collections	-	-	57,299 (2)	57,299
Interest Income & Other Misc.	9,011	9,011	-	9,011
Total Cash Available	630,594	851,695	111,632	963,327
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	458,394	458,394	-	458,394
Taxes	13,496	13,496	-	13,496
Total Cash Requirements Before Debt Service	471,890	471,890	-	471,890
Cash Available for Debt Servi (A)	158,704	379,805	111,632	491,437
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	283,054	283,054	100,783 (3)	383,837
Other Debt	-	-	-	-
Reserve Account @ 10%	17,614	17,614	10,078 (4)	27,692
Renewal & Replacement Fund (2.5%)	15,765	21,292	1,133 (5)	22,425
Total Debt Service Requirement	316,433	321,960	111,995	433,955
SB 234 Cash Working Capital	57,299	57,299	-	57,299
Remaining Cash	(215,028)	546	(363)	184
Percent Coverage (A) / (B)	56.07%	134.18%		128.03%
Average rate for 3,400 gallons	\$ 77.93	\$ 106.94	\$ 13.15	\$ 120.09
Average rate for 4,000 gallons	\$ 90.33	\$ 123.95	\$ 15.25	\$ 139.20

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Revenues	Per Staff Analysis	890,096	54,333
	Per Application with Project	835,763	
Adjust revenues to provide a positive cash flow surplus and debt service coverage of at least 115%. Also, adjust in accordance with PSC General Order 183.11.			
(2) SB 234 Annual Working Cash Collections	Per Staff Analysis	57,299	57,299
	Per Application with Project	-	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3) Principal & Interest	Per Staff Analysis	383,837	100,783
	Per Application with Project	283,054	
The difference in P&I is related to Staff's calculation of a Loan of \$1,700,000 for 40 years (paid back over 38 years) at 5%.			
(4) Reserve Account @ 10%	Per Staff Analysis	27,692	10,078
	Per Application with Project	17,614	
Staff assumed a 10% reserve on the new debt.			
(5) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	22,425	1,133
	Per Application with Project	21,292	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			



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M E M O R A N D U M

MEMO TO: Meredith J. Vance
Office of Environmental Health Services
Bureau for Public Health

FROM: Brian D. Bailey *BB*
Technical Analyst
General Permits & Support Team

DATE: May 22, 2024

Infrastructure Preliminary Application for the Franklin, Town of: Systems
Improvements Phase III in Pendleton County, WV. (2024W-2495)

We have reviewed the above referenced project application information. The Town of Franklin discharges its backwash to its site, which is covered under WV/NPDES Site Registration No. WVG640022, and expires July 18, 2028.

If the Town of Franklin is considering repairing and painting an existing water treatment plant or storage tanks, then the scope of this project requires precautions to prevent contamination of the waters of the state. Prior to beginning any removal of old paint, the Town of Franklin should contact Mr. Brad Wright or a member of his staff at (304)-926-0499, extension 49746 for guidance in determining whether the paint to be removed is considered a hazardous waste. If so, proper containment and disposal procedures must be followed for the paint and any material associated with the sandblasting. If it is determined that the paint is not hazardous, the Town of Franklin should contact John Lockhart or a member of his staff at (304)-926-0499, extension 43889 for proper disposal options.

Construction activities with a disturbed area of one (1) acre or greater are now required to register for the NPDES Storm Water Construction General Permit No. WV0115924 that became effective on April 6, 2024. Projects registered under the previous General Permit No. WV0115100 were automatically provided coverage under WV/NPDES General Permit

No. WV0115924. For more information, they may contact Larry Board at (304)-926-0499, extension 43883.

In light of the above, we have no objection to this project as long as the appropriate provisions are taken to assure compliance with Chapter 22, Article 11, of the Code of West Virginia and any associated regulations. The responsible party may contact Mylinda Maddox (304) 926-0499 ext. 43825, should additional information be required.

BDB:mam

cc: Katheryn Emery

TOWN OF FRANKLIN - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2023
 APPLICATION NO: 2024W-2495
 June 21, 2024

**PREFERRED FUNDING PACKAGE
 SCENARIO 1**

	Cash Flow Going Level Per Application Before Project	Cash Flow Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	614,662	835,763	(46,167) (1)	789,596
Other Operating Revenue	6,921	6,921	-	6,921
SB 234 Annual Working Cash Collections	-	-	57,299 (2)	57,299
Interest Income & Other Misc.	9,011	9,011	-	9,011
Total Cash Available	630,594	851,695	11,132	862,827
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	458,394	458,394	522 (3)	458,916
Taxes	13,496	13,496	-	13,496
Total Cash Requirements Before Debt Service	471,890	471,890	522	472,412
Cash Available for Debt Servi (A)	158,704	379,805	10,610	390,415
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	283,054	283,054	11,047 (4)	294,101
Other Debt			-	-
Reserve Account @ 10%	17,614	17,614	1,105 (5)	18,719
Renewal & Replacement Fund (2.5%)	15,765	21,292	(1,379) (6)	19,913
Total Debt Service Requirement	316,433	321,960	10,773	332,733
SB 234 Cash Working Capital	57,299	57,299	-	57,299
Remaining Cash	(215,028)	546	(163)	383
Percent Coverage (A) / (B)	56.07%	134.18%		132.75%
Average rate for 3,400 gallons	\$ 77.93	\$ 106.94	\$ 0.43	\$ 107.37
Average rate for 4,000 gallons	\$ 90.33	\$ 123.95	\$ 0.50	\$ 124.45

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Revenues	Per Staff Analysis	789,596	(46,167)
	Per Application with Project	835,763	
Adjust revenues based on the proposed proforma 37.2% increase in rates from going level rates. Also, adjust in accordance with PSC General Order 183.11. Staff calculated that an additional \$3,500 in revenues would be needed to achieve a positive cash balance and a 115% debt service coverage.			
(2) SB 234 Annual Working Cash Collections	Per Staff Analysis	57,299	57,299
	Per Application with Project	-	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3) Operating Expenses	Per Staff Analysis	458,916	522
	Per Application with Project	458,394	
Staff's calculation reflects the .25% administrative fee associated with the DWTRF Loan.			
(4) Principal & Interest	Per Staff Analysis	294,101	11,047
	Per Application with Project	283,054	
The difference in P&I is related to Staff's calculation of a DWTRF Loan of \$400,000 for 40 years (paid back over 38 years) at .25%.			
(5) Reserve Account @ 10%	Per Staff Analysis	18,719	1,105
	Per Application with Project	17,614	
Staff assumed a 10% reserve on the new debt.			
(6) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	19,913	(1,379)
	Per Application with Project	21,292	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			