



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: April 23, 2025

Subject: City of Pennsboro
IJDC Application - 2025W-2665
Bonds Creek - Highland Road Tanks 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.

Promoting a healthy environment.

- 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:

This project will construct a new 64,000 gallon storage tank and one new booster station. This project serves the 56 customers in the IJDC Project No. 2024W-2630. As a result, these projects must proceed simultaneously.

Prior to closing, the PSD needs to demonstrate compliance with how the Lead and Copper Rule requirements will be met and how the applicant will ensure compliance with the regulatory agencies.

The proposed total cost for this project is \$2,000,000 and Pennsboro intends to pursue a \$500,000 IJDC Grant, and a \$1,500,000 USACE Grant.

Please review the PSC memo regarding concerns with the City's going level and proforma deficits and what the City is doing to resolve any deficiencies.

Preliminary Project Ratings:

Public Health Benefits: 15
Compliance with Standards: 5



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MEMORANDUM

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

FROM: Jesse Rupe, P.E., DWWM

DATE: April 11, 2025

SUBJECT: City of Pennsboro
IJDC Application - 2025W-2665
Bonds Creek - Highland Road Tanks Project

RECOMMENDATION

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

PROJECT DESCRIPTION

The City of Pennsboro operates a water distribution system under (PWSID # 3304306) in Ritchie County, West Virginia. Pennsboro provides drinking water to approximately 616 total customers, including one resale customer. The distribution system includes 3 water storage tanks and has a total storage capacity of 960,000 gallons. The Hughes River Water Board water treatment plant (WTP) has a 2.5 million gallon per day (MGD) capacity.

The proposed project consist of the installation of a new 64,000 gallon storage tank and one new booster station. This project serves the 56 customers in the IJDC Project No. 2024W-2630.

The proposed total cost for this project is \$2,000,000 and Pennsboro intends to pursue a \$500,000 IJDC Grant, and a \$1,500,000 USACE Grant. The proposed monthly rate for 3,400 gallons is \$60.48 (1.74% MHI).

NEED FOR PROJECT

The proposed water line extension is proposed to provide residents along Highland Road and Bonds Creek Road with a reliable source of safe drinking water. All the residents that will be served by the proposed extension currently obtain potable water from private wells. The wells/cisterns serving the homes are problematic because of the unreliability of available water and lack of clean water.

DEFICIENCIES/COMMENTS

- It should be noted that this project contains work that is essential to the project scope of IJDC Project No. 2024W-2630. That project includes the construction of the water lines that these storage tanks will feed. These projects either need to be completed in one project with construction being completed in two separate contracts, or both need to move together so that new waterlines aren't installed with no tanks to provide water to them.
- Using the Combined Application, the Design, and Total Engineering Fees appear to be within the ASCE Curves.

Preliminary Project Ratings:

Public Health Benefits: 15
Compliance with Standards: 5

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



April 22, 2025

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. 2025W-2665
City of Pennsboro – 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: April 22, 2025

PROJECT SPONSOR: CITY OF PENNSBORO (WATER)

PROJECT SUMMARY: The Pennsboro Bonds Creek Tank and Booster Station Project will provide for 64,000-gallon water storage tank and a booster pump station to be able to provide adequate water distribution to the proposed Pennsboro Bonds Creek Water Line Extension Project.

PROPOSED FUNDING: USCOE Grant	\$1,500,000
IJDC District 2 Grant	\$ 500,000
Total	<u>\$2,000,000</u>

**CURRENT/PROPOSED
RATES:**

Schedule 1	\$60.48	3,400 gallons
	\$70.72	4,000 gallons
Schedule 2	\$74.34	3,400 gallons
	\$86.95	4,000 gallons

Application No. 2025W-2665

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

FINANCIAL: Stephen Edens

1. Current average rates (\$67.41 for 3,400 gallons) are above the rate attributable to 1.25% (\$43.41), 1.5% (\$52.09) and 1.75% (\$60.77) of the Median Household Income (MHI), but below the rates attributable to 2.0% (\$69.46) of the MHI. Increasing current rates to 2.0% of the MHI would provide additional revenues of \$16,043.

2. Using Scenario 1, the preferred funding package consisting of a USCOE Grant of \$1,500,000, and an IJDC District 2 Grant of \$500,000, proposed average rates (\$67.41 for 3,400 gallons) will provide a cash flow deficit of \$2,035 and debt service coverage of 153.66%. An additional 0.5% (for a total average rate of \$67.75 for 3,400 gallons) increase in proposed average rates would be required to provide a cash flow surplus of \$402 and debt service coverage of 155.57%.
3. Using the Scenario 2 alternate loan package of \$2,000,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed average rates (\$80.22 for 3,400 gallons) will provide a cash flow deficit of \$26,238 and debt service coverage of 124.27%. An additional 4.2% (for a total of \$83.59 for 3,400 gallons) increase in proposed average rates would be required to provide a cash flow surplus of \$574 and a debt service coverage of 135.30%.

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. The Going Level and Proforma adjustments included in the Applicant's Cash Flow Analyses for Scenarios 1 and 2 were used in Staff's Cash Flow Analyses, except as noted on Attachments A and B.
- C. Staff prepared the attached Cash Flow Analysis utilizing information from the Annual Report for the Fiscal Year Ended June 30, 2024, and the applicant's Cash Flow Exhibit submitted with the application.
- D. Staff notes, the Applicant has a previously submitted application (No. 2024W-2630) for subsequent review this cycle. This prior application is also based on the June 30, 2024, test year but its impact is not reflected in the cash flow for this current application (No. 2025W-2665). The cash flow for this current application reflects a deficit at both going level and proforma, however, it appears the prior application will have a positive impact on the cash flow deficit.
- E. Staff also notes the Applicant is requesting a waiver of Rule 42 Exhibit requirement.

- 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 flows provided by the project sponsor include funding for the 1/8 cash working capital reserve. Staff accepted that amount in its analyses. 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 City's going level and proforma deficits, it should consider pursuing an ordinance to adjust rates and resolve any deficiencies. The City of Pennsboro 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: Mansour Mashayekhi

1. Pursuant to House Bill 2742 passed in the 2025 Legislative Session this project will not require a Certificate of Convenience and Necessity from the PSC.
2. **Scope:** This project proposes to construct one (1) 64,000-gallon water storage tank to provide sufficient storage for residential usage and fire flow capacity for Gnats Run, Bonds Creek, and State Route 74, one (1) 25 GPM booster pump station and approximately 3,600 LF of main water line. The water tank will supply storage for the Bonds Creek – Highland Road area. The Preliminary Engineering Report also recommends extending water service to six (6) potential customers in the Gnats Run area near the City of Pennsboro. Meters, fire hydrants, and necessary appurtenances are required for the successful operation of the water storage tank, booster pump station, and water line extension to be constructed. Asphalt, gravel, concrete repairs, and other restorations will also be needed. Total

estimated cost of this project is \$2,000,000. The proposed funding scenario includes a \$500,000 WV IJDC grant and a \$1,500,000 US Army Corps of Engineers Grant.

3. **Need for Project:** Residents of Pennsboro have detected lead, arsenic, and methane gas in their water. Residents along Gnats Run Road are not currently served by a public water utility and have expressed interest in access to public water. This project will provide clean, safe drinking water.
4. **Customer Density:** this project is an primarily and improvement of the existing distribution system with an ancillary extension of service to only six new customers. Therefore, customer density due would be badly skewed and was not calculated.
5. **Cost per Customer:** Based upon the estimated project budget of \$2,000,000 and having approximately 616 existing+6 new = 622 customers, the cost- per-customer is approximately \$3,215. However, this project is entirely grant funded, therefore, the existing and new customers are not responsible for capital project related cost.
6. **Project Feasibility:** The proposed project appears technically feasible.
7. **Project Alternatives:** Two Alternatives were considered: Alternative-1 (Route 74 – Water Storage Tank & Booster Station) and Alternative-2 (Do Nothing). The City of Pennsboro is proposing Alternative-1 to provide the necessary water services, increased water storage capacity, and increased flow capacity for the future water line extension project in the area.
8. **Permits Required:** The following permits are anticipated to be required for this project. All permits will be obtained prior to beginning of construction: WV Bureau of Public Health Permit, WV Division of Highways Permit, WVDEP Office of Water Resources NPDES Construction Stormwater Permit, WV Division of Natural Resources Correspondence, WV Culture and History Division Correspondence, and United States Fish and Wildlife Correspondence.
9. **Consolidation:** There is no consolidation issue regarding this project.
10. **Inconsistencies:** None was noticed for this project.

11. **Operation and Maintenance (O&M) Expenses:** the project's O&M expenses are expected to increase by approximately \$4,961 to an annual O&M expense of \$386,149.

12. **Engineering Agreement:** The applicant has provided documentation relative to compliance with West Virginia Code §5G-1-1, *et seq.* Based on filing, the total design fees for engineering services are \$105,000 at the construction cost of \$1,465,000. This is approximately 7.17% of the construction costs as shown on the application.

CITY OF PENNSBORO - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2024
 APPLICATION NO: 2025W-2665
 April 22, 2025

**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	540,469	544,824	(45,769) (1)	499,055
Other Operating Revenue	50,991	50,991	-	50,991
SB 234 Annual Working Cash Collections			48,269 (2)	48,269
Interest Income & Other Misc.	541	541	-	541
Total Cash Available	592,001	596,356	2,500	598,856
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	381,188	386,149	-	386,149
Taxes	9,476	9,476	-	9,476
Total Cash Requirements Before Debt Service	390,664	395,625	-	395,625
Cash Available for Debt Service (A)	201,337	200,731	2,500	203,231
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	130,634	130,634	-	130,634
Other Debt			-	-
Reserve Account @ 10%	10,175	10,175	-	10,175
Renewal & Replacement Fund (2.5%)	14,787	14,895	(1,144) (3)	13,751
Total Debt Service Requirement	155,596	155,704	(1,144)	154,560
SB 234 Cash Working Capital	47,649	48,269	-	48,269
Remaining Cash	(1,908)	(3,242)	3,644	402
Percent Coverage (A) / (B)	154.12%	153.66%		155.57%
Average rate for 3,400 gallons	\$ 67.41	\$ 67.41	\$ 0.34	\$ 67.75
Average rate for 4,000 gallons	\$ 78.84	\$ 78.84	\$ 0.39	\$ 79.23
Schedule 1				
Rate for 3,400 gallons	\$ 60.48	\$ 60.48	\$ 0.30	\$ 60.78
Rate for 4,000 gallons	\$ 70.72	\$ 70.72	\$ 0.35	\$ 71.07
Schedule 2				
Rate for 3,400 gallons	\$ 74.34	\$ 74.34	\$ 0.37	\$ 74.71
Rate for 4,000 gallons	\$ 86.95	\$ 86.95	\$ 0.43	\$ 87.38

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	499,055	(45,769)
		Per Application with Project	544,824	
	Adjust revenues in accordance with PSC General Order 183.11. Staff projected an additional \$2,500 in revenues would be needed to achieve 115% debt coverage and a positive cash balance.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	48,269	48,269
		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	13,751	(1,144)
		Per Application with Project	14,895	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

CITY OF PENNSBORO - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2024
 APPLICATION NO: 2025W-2665
 April 22, 2025

**LOAN PACKAGE
 SCENARIO 2**

	Max Rate Going Level Per Application Before Project	Max Rate Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
AVAILABLE CASH				
Operating Revenues	540,469	653,771	(20,769) (1)	633,002
Other Operating Revenue	50,991	50,991	-	50,991
SB 234 Annual Working Cash Collections			48,269 (2)	48,269
Interest Income & Other Misc.	541	541	-	541
Total Cash Available	592,001	705,303	27,500	732,803
OPERATING DEDUCTIONS				
Operating Expenses	381,188	386,149	-	386,149
Taxes	9,476	9,476	-	9,476
Total Cash Requirements Before Debt Service	390,664	395,625	-	395,625
Cash Available for Debt Service (A)	201,337	309,678	27,500	337,178
DEBT SERVICE REQUIREMENTS				
Principal & Interest (B)	130,634	218,905	30,297 (3)	249,202
Other Debt			-	-
Reserve Account @ 10%	10,175	19,002	3,030 (4)	22,032
Renewal & Replacement Fund (2.5%)	14,787	17,619	(519) (5)	17,100
Total Debt Service Requirement	155,596	255,526	32,808	288,334
SB 234 Cash Working Capital	47,649	48,269	-	48,269
Remaining Cash	(1,908)	5,883	(5,308)	574
Percent Coverage (A) / (B)	154.12%	141.47%		135.30%
Average rate for 3,400 gallons	\$ 67.41	\$ 80.22	\$ 3.37	\$ 83.59
Average rate for 4,000 gallons	\$ 78.84	\$ 93.82	\$ 3.94	\$ 97.76
Schedule 1				
Rate for 3,400 gallons	\$ 60.48	\$ 71.97	\$ 3.02	\$ 74.99
Rate for 4,000 gallons	\$ 70.72	\$ 84.16	\$ 3.53	\$ 87.69
Schedule 2				
Rate for 3,400 gallons	\$ 74.34	\$ 88.46	\$ 3.72	\$ 92.18
Rate for 4,000 gallons	\$ 86.95	\$ 103.47	\$ 4.35	\$ 107.82

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	633,002	(20,769)
		Per Application with Project	653,771	
	Adjust revenues in accordance with PSC General Order 183.11. Staff projected an additional \$27,500 in revenues would be needed to achieve 115% debt coverage and a positive cash balance.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	48,269	48,269
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	Principal & Interest	Per Staff Analysis	249,202	30,297
		Per Application with Project	218,905	
	The difference in P&I is related to Staff's calculation of a loan of \$2,000,000 for 40 years (paid back over 38 years) at 5%.			
(4)	Reserve Account @ 10%	Per Staff Analysis	22,032	3,030
		Per Application with Project	19,002	
	Staff assumed a 10% reserve on the new debt.			
(5)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	17,100	(519)
		Per Application with Project	17,619	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			



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MEMORANDUM

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: March 19, 2025

SUBJECT: Infrastructure Preliminary Application for the City of Pennsboro: Bonds Creek Tank and Booster Station in Ritchie County, WV. (2025W-2665)

We have reviewed the above referenced project application information. The City of Pennsboro purchases water from Hughes River Board. No NPDES permit modifications are necessary.

If the City of Pennsboro 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 City of Pennsboro 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 City of Pennsboro 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