




west virginia department of environmental protection

Division of Water and Waste Management
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Austin Caperton, Cabinet Secretary
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MEMORANDUM

To: Wayne Morgan, P. E.
Executive Secretary
Infrastructure and Jobs Development Council

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

Date: October 21, 2019

Subject: Ravenswood – Preliminary Application: 2019S-1789
Ph. I – Pump Station Upgrades

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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 wastewater 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 funding should be returned until all comments have been resolved.
- d. This project should be referred to the Consolidation Committee.

3. Other remarks:

This project should be returned until the applicant meets with the PSC and DEP staff concerning the PSC comments and how it may impact the proposed project and future phases.

An engineering fee variance will be required for this project.

Attachments: Technical Comments

Engineering Fees:

Estimated construction cost = \$2,399,650

Consultant's design fee =	\$140,000	Consultant's total fee =	\$1,236,000
Design fee percentage =	5.8%	Total fee percentage =	51.5%
Design fee per ASCE curve =	9.0%	Total fee per ASCE curve =	20.0%

Public Service Commission of West Virginia

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



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Ms. Kathy Emery, P. E.
Office of Water Resources
Department of Environmental Protection
601 57th St.
Charleston, West Virginia 25304

Re: Public Service Commission Staff Review Comments
Application No. 2019S-1789
City of Ravenswood (Sewer)
Infrastructure Preliminary Application

Dear Ms. Emery:

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, P.E.
Engineering Division
JFowler@psc.state.wv.us

Enclosures
IF:vt

**PUBLIC SERVICE COMMISSION STAFF
TECHNICAL REVIEW**

DATE: October 18, 2019

PROJECT SPONSOR: CITY OF RAVENSWOOD (SEWER)

PROJECT SUMMARY: Phase I of two includes pump station upgrades, telemetry equipment installation, flow meter installations, emergency power transfer switch installations, portable generator purchases, smoke testing and manhole inspection, and wastewater treatment plant design.

PROPOSED FUNDING: CWSRF Loan 2.75%, .25% Admin. Fee, 20 yrs. \$3,790,650

CURRENT RATES: \$20.11 3,400 gallons
\$23.34 4,000 gallons

PROPOSED RATES: NOT AVAILABLE (See Comments Below)

Application No. 2019S-1789

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

COMMENTS

Owing to the errors and inconsistencies in the original and revised financial exhibits and the resulting uncertainties regarding actual user rates necessary to support the proposed project, Commission Staff recommends that this application be returned.

NOTES:

- A. The cash flow in the original Rule 42 projected a cash flow surplus of \$141,851 and debt service coverage of 120% at proforma. However, this cash flow contained a formula error, when corrected, results in the proposed rates (\$25.44 for 3,400 gallons) providing a cash flow deficit of \$395,615 and debt service coverage of 44.22%. The project sponsor later provided a revised Rule 42 to correct other issues. The revised Rule 42 made additional changes to revenues and debt service but provided a cash flow deficit of \$211,221 and debt service coverage of 65.65% at proforma.

- B. The project sponsor's Annual Report for the Fiscal Year Ended June 30, 2018, lists long term debt of \$283,600 at per books, while the cash flow provided with the original Rule 42 lists long term debt of \$428,043 at per books. The revised Rule 42 provided to staff lists long term debt at \$333,657 at per books. No justification was provided in the filing for these changes. The revised Rule 42 didn't include primary reserve funding, R&R Reserve funding, or SB 234 (2015) funding.
- C. Since the Annual Report for the year ending June 30, 2019 should be nearly complete and will be available soon, the sponsor should revise their financial exhibits to reflect the more current financial information as contained in the Annual Report for year ending June 30, 2019.
- D. The project sponsor's accountant listed a CWSRF Loan of \$3,790,650 (3%, 20 yrs.) and a WDA Design Loan of \$393,000 (3%, 20 yrs.) in their analysis for a total project cost of \$4,183,650. The total project budget in the Administrator Preliminary Application Form is listed as \$3,790,650 and the Preliminary Engineering Report also lists the \$3,790,650 as the total project cost.
- E. The Applicant did not provide a Cash flow Analysis or other financial information to support its alternate proposed rate (\$25.44 for 3,400 gallons) for Scenario 2.
- 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 do not include funding for the 1/8 cash working capital reserve. The project sponsor would need to have non-restricted funds available to meet the 1/8 requirement, otherwise, they may need to take steps to fund this reserve.
- 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.
- H. **Staff suggests the project sponsor's accountant contact Staff to discuss our concerns (bill analysis, debt service, reserve requirements, cash flow analysis, test year, etc.) with the sponsor's Rule 42.**