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west virginia department of environmental protection

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Division of Water and Waste Management  
601 57<sup>th</sup> 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

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

**Date:** October 22, 2024

**Subject:** City of Smithers  
Preliminary Application: IJDC No. 2024S-2611  
Phase III Sewer System Improvements Project

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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.

- 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 proposed project is phase 3 of a multiphase project to address I/I in their system. This project will include the separation of the storm/sanitary and provide manholes for better access. The cost to update their Long Term Control plan will be included.

The City of Smithers is in technical default for having not submitted the Asset Management Plan (AMP) from the Phase II project.

The proposed total cost for this project is \$2,000,000 and the City intends to pursue a \$1,500,000 CWSRF Debt Forgiveness Loan and a \$500,000 IJDC Grant.

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



Sherri A. Young, DO, MBA, FAAFP  
Cabinet Secretary

Jason R. Frame  
OEHS Director

## **MEMORANDUM**

**TO:** Jason Billups, P.E.  
DEP/Infrastructure Sewer Technical Review Committee

**FROM:** William S. Herold, Jr., P.E.  
I/CD/Environmental Engineering Division

**DATE:** October 11, 2024

**SUBJECT:** City of Smithers  
Preliminary Application **Project No.: 2024S-2611**  
Sanitary & Storm Sewer Separation  
Fayette County

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### **RECOMMENDATION:**

We have reviewed this preliminary application and recommend it be forwarded to the Funding Committee for review.

### **PROJECT SCOPE:**

This preliminary application is to upgrade and replace portions of the existing City of Smither's combined sanitary/storm sewage collection system to reduce I&I. The project will consist of the installation of approximately 700 LF of 10" and 2,400 LF of 8" sanitary sewer lines; replacement of approximately 1,500 LF of 4" service line, 23 sanitary sewer manholes, approximately 1,500 LF of 15" storm sewer line and remove and replace one (1) sanitary sewer manhole.

The cost per customer is **\$5,731**. Total estimated project cost is **\$2,000,000** (CWSRF Principal Forgiveness: **\$1,500,000**; and IJDC District 3 Grant: **\$500,000**).

### **NEED FOR PROJECT:**

The Preliminary Engineering Report indicates portions of the City of Smither's combined sewage collection system experiences high I&I and is out of compliance with its NPDES Permit and CSO-LTCP.

### **CONCERNS:**

None.

### **PERMITS:**

A permit to construct will not be required from the WV Bureau for Public Health, prior to construction.







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

## MEMORANDUM

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

**FROM:** Spencer Fultineer, DWWM

**DATE:** October 16, 2024

**SUBJECT:** City of Smithers  
Preliminary Application: IJDC No. 2024S-2611  
Phase III Sewer System Improvements Project

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### **RECOMMENDATION**

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

### **PROJECT DESCRIPTION**

The City of Smithers owns and operates an existing wastewater collection system operating under NPDES Permit # WV0021741 that serves 345 users in Fayette County, WV.

This is the third phase of a multiphase project that proposes to rehabilitate existing sanitary sewer and stormwater sewer systems. This project proposes to complete the system separation. The separation will have replacement of 8" and 10" gravity sewer line and 30 sanitary manholes.

The proposed total cost for this project is \$2,000,000 and the City intends to pursue a \$1,500,000 CWSRF Debt Forgiveness Loan and a \$500,000 IJDC Grant.

### **NEED FOR PROJECT**

The collection system was originally constructed in the 1970s and may still include a number of storm drains that remain linked to the collection system. Without the separation of the system, Smithers will continue to experience high volumes and higher treatment costs over time. The existing system also has very few manholes and cleanouts to perform necessary maintenance.

## **DEFICIENCIES/COMMENTS**

- Using the Combined Application, the Total Engineering Fee and the Design Fee appear to be within the ASCE curve.
- Long Term Control Plan updates are necessary and will be funded through this project.
- The City of Smithers is in technical default for having not submitted the Asset Management Plan (AMP) from the Phase II project.

### **Preliminary Project Ratings:**

Public Health Benefits: 10

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



October 18, 2024

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

Re: Public Service Commission Staff Review Comments  
Application No. 2024S-2611  
City of Smithers - Sewer System Improvements  
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:

- Forward the Application  
 Return the Application  
 Returned to the Applicant

Please advise if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Jonathan M. Fowler".

Jonathan M. Fowler, P.E.  
Engineering Division

Enclosures  
JMF:vb

**PUBLIC SERVICE COMMISSION STAFF  
TECHNICAL REVIEW**

**DATE:** October 17, 2024

**PROJECT SPONSOR:** CITY OF SMITHERS - SEWER

**PROJECT SUMMARY:** The City of Smithers is proposing to complete Phase III of the overall Sanitary and Storm Sewer Separation Project in coordination with their Long-Term Control Plan.

<b>PROPOSED FUNDING:</b> IJDC District 3 Grant	\$ 500,000
CWSRF Principal Forgiveness Loan	<u>1,500,000</u>
Total	\$ 2,000,000

**CURRENT/PROPOSED**

<b>RATES:</b>	\$ 74.49	3,400 gallons
	\$ 87.64	4,000 gallons

Application No. 2024S-2611

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

**FINANCIAL: Bob Cadle**

1. Current rates (\$74.49 for 3,400 gallons) are above the rates attributable to 1.25% (\$41.81), 1.5% (\$50.17), 1.75% (\$58.53), and 2% (\$66.89) of the Median Household Income.
2. Using Scenario 1, the preferred funding package consisting of an IJDC District 3 Grant of \$500,000 and a CWSRF Principal Forgiveness Loan of \$1,500,000, proposed rates (\$74.49 for 3,400 gallons) will provide a cash flow surplus of \$84,168 and debt service coverage of 345.76%.
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 rates (\$124.00 for 3,400 gallons) will provide a cash flow surplus of \$96,093 and debt service coverage of 187.69%.



#### 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 Cash Flow Statement submitted with the application.
- C. The Applicants Cash Flow Analyses reflect a single adjustment column going from Per Books to Proforma with both Going Level and Proforma adjustments in the same column. There should be a separation for Going Level to include revenue adjustment for rates in effect November 2023 and July 2024, as well as Proforma to represent the project including the O&M adjustment. Staff's analysis reflects this separation of adjustments.
- D. Because proposed funding is based on all grant funding and no rate increase is needed for the project, the Applicant is requesting a waiver of the Rule 42 Exhibit requirement.
- E. 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.
- F. 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.
- G. The City 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. 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 the 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) et seq.
2. *Scope:* The City of Smithers is proposing to complete Phase III of the overall Sanitary and Storm Sewer Separation Project. The project will improve the existing sanitary and stormwater collection system. The replacement and/or installation of approximately 3,600 LF of 8" and 10" gravity sewer line, thirty (30) 48" diameter sanitary manholes, and all other necessary appurtenances. The proposed project is estimated to cost approximately \$1,185,000 in construction cost with an estimated total project cost of \$2,000,000. The proposed project to be funded through a DWTRF debt forgiveness loan amount of \$1,500,000 and an IJDC District-3 Grant of \$500,000.
3. *Need for Project:* this project will remediate aging sewer mains in order to reduce I&I and the associated cost of transporting these additional flows to Kanawha Falls PSD for treatment. The Phase III project to replace old infrastructure in Smithers collection system is vital to being able to develop property around the City. Smithers does not own or operate a wastewater treatment plant. All of Smithers sewage is conveyed to the Kanawha Falls PSD's wastewater treatment facility via force main for treatment and ultimately is discharged into the Kanawha River at mile point 90.3. This project should address many of the I/I issue within the system.
4. *Customer Density:* This is an internal improvement and an upgrade project; therefore, customer density will stay unchanged.
5. *Cost per Customer:* Based upon the estimated project budget of \$2,000,000 and having approximately 349 existing customers, cost-per-customer is approximately \$5,731. However, this project is debt forgiveness loan and grant funded, therefore, existing customers are not

responsible for capital project related expenses.

6. *Project Feasibility*: The project appears to be technically feasible.
7. *Project Alternatives*: Four alternatives considered for the project per the following: Alternative #1 (Separate the Sanitary Sewer System from the Stormwater Sewer System), Alternative #2 (Upgrade Existing Pump Stations), Alternative #3 (Construct a New Wastewater Treatment Plant), and Alternative #4 (Do Nothing). Smithers is proposing to pursue Alternative #1 to separate the existing sanitary and stormwater sewer systems by replacing sections of existing systems. This alternative shall reduce treatment costs by decreasing the amount of stormwater being transported to the Kanawha Falls PSD for treatment and disposal.
8. *Consolidation*: There are no consolidation issues with the selected alternatives.
9. *Inconsistencies*: None was noticed for this project.
10. *Project Permits*: the following permits and certificates are anticipated to be required for this project and will be obtained prior to beginning construction of this project: WV Department of Environmental Protection (Construction and NPDES permits), WV Department of Transportation (Division of Highways, Utility Encroachment Permit), WV Public Service Commission (Certificate of Convenience and Necessity permit), and coordination with the following Agencies: WV Division of Culture and History, the United States Fish and Wildlife Services, WV Natural Resource Conservation Service and WV Division of Natural Resources.
11. *Operation and Maintenance (O&M) Expenses*: the project's O&M expenses are estimated to remain unchanged at an annual approximate O&M expense of \$207,979. This project proposes to separate the sanitary and stormwater sewer collection systems within the existing Smithers collection system. The project does not propose to add new customers, nor does it propose to otherwise alter the number of customers served by Smithers.
12. *Engineering Agreement*: the applicant has provided documentation relative to compliance with West Virginia Code §5G-1-1, *et seq.* Based on the filing, the total design fees for engineering services are \$135,000 at the construction cost of \$1,185,000. This is approximately 11.39% of the construction cost as shown on the application.

CITY OF SMITHERS - SEWER  
 CASH FLOW ANALYSIS  
 YEAR ENDED: June 30, 2023  
 APPLICATION NO: 2024S-2611  
 October 18, 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
	\$	\$	\$	\$
<b><u>AVAILABLE CASH</u></b>				
Operating Revenues	374,065	374,065	(25,997) (1)	348,068
Other Operating Revenue	5,430	5,430	-	5,430
SB 234 Annual Working Cash Collections			25,997 (2)	25,997
Interest Income & Other Misc.	1,900	1,900	-	1,900
<b>Total Cash Available</b>	<b>381,395</b>	<b>381,395</b>	<b>-</b>	<b>381,395</b>
<b><u>OPERATING DEDUCTIONS</u></b>				
Operating Expenses	206,527	207,979	-	207,979
Taxes	5,990	5,990	-	5,990
<b>Total Cash Requirements Before Debt Service</b>	<b>212,517</b>	<b>213,969</b>	<b>-</b>	<b>213,969</b>
<b>Cash Available for Debt Servi (A)</b>	<b>168,878</b>	<b>167,426</b>	<b>-</b>	<b>167,426</b>
<b><u>DEBT SERVICE REQUIREMENTS</u></b>				
Principal & Interest (B)	48,423	48,423	-	48,423
Other Debt	-	-	-	-
Reserve Account @ 10%	-	-	-	-
Renewal & Replacement Fund (2.5%)	27,048	27,048	(18,211) (3)	8,837
<b>Total Debt Service Requirement</b>	<b>75,471</b>	<b>75,471</b>	<b>(18,211)</b>	<b>57,260</b>
<b>SB 234 Cash Working Capital</b>	<b>-</b>	<b>25,997</b>	<b>-</b>	<b>25,997</b>
<b>Remaining Cash</b>	<b>93,407</b>	<b>65,958</b>	<b>18,211</b>	<b>84,168</b>
<b>Percent Coverage (A) / (B)</b>	<b>348.76%</b>	<b>345.76%</b>		<b>345.76%</b>
Average rate for 3,400 gallons	\$ 74.49	\$ 74.49	\$ -	\$ 74.49
Average rate for 4,000 gallons	\$ 87.64	\$ 87.64	\$ -	\$ 87.64

**Staff Adjustments**

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	<b>Operating Revenues</b>	<b>Per Staff Analysis</b>	<b>348,068</b>	<b>(25,997)</b>
		<b>Per Application with Project</b>	<b>374,065</b>	
Adjust revenues in accordance with PSC General Order 183.11.				
(2)	<b>SB 234 Annual Working Cash Collections</b>	<b>Per Staff Analysis</b>	<b>25,997</b>	<b>25,997</b>
		<b>Per Application with Project</b>	<b>-</b>	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.				
(3)	<b>Renewal &amp; Replacement Fund (2.5%)</b>	<b>Per Staff Analysis</b>	<b>8,837</b>	<b>(18,211)</b>
		<b>Per Application with Project</b>	<b>27,048</b>	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.				

CITY OF SMITHERS - SEWER  
 CASH FLOW ANALYSIS  
 YEAR ENDED: June 30, 2023  
 APPLICATION NO: 2024S-2611  
 October 18, 2024

**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
	\$	\$	\$	\$
<b><u>AVAILABLE CASH</u></b>				
Operating Revenues	374,065	520,065	(25,997) (1)	494,068
Other Operating Revenue	5,430	5,430	-	5,430
SB 234 Annual Working Cash Collections			25,997 (2)	25,997
Interest Income & Other Misc.	1,900	1,900	-	1,900
<b>Total Cash Available</b>	<b>381,395</b>	<b>527,395</b>	<b>-</b>	<b>527,395</b>
<b><u>OPERATING DEDUCTIONS</u></b>				
Operating Expenses	206,527	207,979	-	207,979
Taxes	5,990	5,990	-	5,990
<b>Total Cash Requirements Before Debt Service</b>	<b>212,517</b>	<b>213,969</b>	<b>-</b>	<b>213,969</b>
<b>Cash Available for Debt Servi (A)</b>	<b>168,878</b>	<b>313,426</b>	<b>-</b>	<b>313,426</b>
<b><u>DEBT SERVICE REQUIREMENTS</u></b>				
Principal & Interest (B)	48,423	194,529	(27,538) (3)	166,991
Other Debt	-	-	-	-
Reserve Account @ 10%	-	-	11,857 (4)	11,857
Renewal & Replacement Fund (2.5%)	27,048	27,048	(14,561) (5)	12,487
<b>Total Debt Service Requirement</b>	<b>75,471</b>	<b>221,577</b>	<b>(30,242)</b>	<b>191,336</b>
SB 234 Cash Working Capital	-	25,997	-	25,997
<b>Remaining Cash</b>	<b>93,407</b>	<b>65,852</b>	<b>30,242</b>	<b>96,093</b>
<b>Percent Coverage (A) / (B)</b>	<b>348.76%</b>	<b>161.12%</b>		<b>187.69%</b>
verage rate for 3,400 gallons	\$ 74.49	\$ 124.00	\$ -	\$ 124.00
verage rate for 4,000 gallons	\$ 87.64	\$ 145.89	\$ -	\$ 145.89

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	<b>Operating Revenues</b>	<b>Per Staff Analysis</b>	<b>494,068</b>	<b>(25,997)</b>
		<b>Per Application with Project</b>	<b>520,065</b>	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	<b>SB 234 Annual Working Cash Collections</b>	<b>Per Staff Analysis</b>	<b>25,997</b>	<b>25,997</b>
		<b>Per Application with Project</b>	<b>-</b>	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	<b>Principal &amp; Interest</b>	<b>Per Staff Analysis</b>	<b>166,991</b>	<b>(27,538)</b>
		<b>Per Application with Project</b>	<b>194,529</b>	
	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)	<b>Reserve Account @ 10%</b>	<b>Per Staff Analysis</b>	<b>11,857</b>	<b>11,857</b>
		<b>Per Application with Project</b>	<b>-</b>	
	Staff assumed a 10% reserve on the new debt.			
(5)	<b>Renewal &amp; Replacement Fund (2.5%)</b>	<b>Per Staff Analysis</b>	<b>12,487</b>	<b>(14,561)</b>
		<b>Per Application with Project</b>	<b>27,048</b>	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			