



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
Funding Committee
Infrastructure and Jobs Development Council

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

Date: July 21, 2022

Subject: Sun Valley PSD
Preliminary Application: 2022S-2062
Phase IIIB – Collection System Extension

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 funding should be tabled until technical comments have been resolved.
- d. This project should be referred to the Consolidation Committee.

3. Other remarks:

The proposed project will extend service to approximately 150 customers in the Fletcher Heights and Marion Heights area of Harrison County.

This application should be tabled until the next Funding committee meeting to give the applicant time to address the comments/concerns in the DEP memo.

Attachments: Technical Comments

Engineering Fees:

Estimated construction cost =	\$ 7,290,000
Consultant's design fee =	\$ 500,000
Design fee percentage =	6.9%
Design fee per ASCE curve =	13.7%
Consultant's total fee =	\$ 1,272,500
Total fee percentage =	17.5%
Total fee per ASCE curve =	27.0%

Preliminary Project Ratings:

1. Public Health Benefits	5
3. Compliance with Standards	5
5. O & M Capabilities	3
6. Readiness to Proceed	0
8. Cost Effectiveness	0
10. Compliance with PSC Orders	0



STATE OF WEST VIRGINIA.
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
Bureau for Public Health
Office of Environmental Health Service

Bill J. Crouch
Cabinet Secretary

Ayne Amjad, MD, MPH
Commissioner & State Health Officer

MEMORANDUM

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

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

DATE: July 1, 2022

SUBJECT: Sun Valley PSD
Preliminary Application **Project No.: 2022S-2062**
Phase IIIB-Sewer Extension
Harrison County

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 extend sewer service to 150 customers in the Marion Heights and Fletcher Heights areas in the Sun Valley PSD. Major work will consist of the installation of approximately 1,500 LF of 6" and 34,000 LF of 8" sewer lines, 225 manholes, and two (2) sewage pump stations.

The cost per customer is \$60,667. Total estimated project cost is \$9,100,000 (CWSRF Principal Forgiveness Grant: \$1,500,000; IJDC District 1 Grant: \$500,000; WDA Economic Enhancement Grant Fund: \$3,000,000; and CWSRF Loan: \$4,100,000 @0.75% for 30 years).

NEED FOR PROJECT:

The Preliminary Engineering Report indicates the Fletcher Heights and Marion Heights communities are currently on unreliable and aging septic systems. There have been numerous requests for sanitary sewer extension to the communities.

CONCERNS:

None.

PERMITS:

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



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MEMORANDUM

TO: Kathy Emery, P.E., Director, DWWM

FROM: Cali Carter, E.I., DWWM

DATE: July 8, 2022

SUBJECT: Sun Valley Public Service District
Preliminary Application: IJDC No. 2022S-2062
Phase IIIB - Wastewater Collection System (extension)

RECOMMENDATION

The IJDC Application and Preliminary Engineering Report prepared by The Thrasher Group, Inc. for the above referenced project has been reviewed and it is recommended to be tabled. This has been discussed with the project's engineer, and they agreed that tabling the project would allow the deficiencies/comments listed below to be addressed.

PROJECT DESCRIPTION

The Sun Valley Public Service District (SVPSD) owns and operates a wastewater collection system in Central Harrison County, WV. The SVPSD does not own or operate a sewage treatment facility, as all sewage collected in SVPSD's system is conveyed to the City of Clarksburg's wastewater treatment plant (WWTP) for treatment. The SVPSD provides sanitary sewer collection service to the areas of Liberty Addition, Wilsonburg, Oneil, Chiefton, Reynoldsville, Wolf Summit, and Sun Valley, totaling 703 customers.

This project proposes to extend sanitary sewer service to approximately 150 customers in the Fletcher Heights and Marion Heights area of Harrison County. These flows will be treated at the Clarksburg WWTP. The extension will include 34,000 LF of 8" gravity sewer, 1,500 LF of 6" gravity sewer, 225 48" diameter manholes, two lift stations, and 1,600 LF of force main.

The proposed total cost for this project is \$9,100,000 and the SVPSD intends to pursue a \$1,500,000 CWSRF Debt Forgiveness Loan, \$500,000 WVIJDC Grant, \$3,000,000 WDA Economic Enhancement Grant, and a \$4,100,000 CWSRF Loan (with terms of 1%, 30yrs). The proposed monthly rate for 3,400 gallons is \$69.53 (1.64% MHI).

Promoting a healthy environment.

NEED FOR PROJECT

The proposed project areas of Fletcher Heights and Marion Heights of Harrison County are not currently served by public sanitary sewer service. The residents of these areas currently rely on aging septic systems.

The proposed extension areas are composed of large tracts of land that could be developed in the future if there is access to sanitary sewer.

The PER states that this extension is necessary for SVPSD in order to add new customers to offset the number of customers lost over the past several years.

DEFICIENCIES/COMMENTS

- The PER will need to be developed into a facilities plan that meets CWSRF requirements if CWSRF is used.
- FY23 IUP was used for MHI and CWSRF Debt Forgiveness eligibility calculations.
- Need for the project must be better documented.
- The PER states that there have been numerous requests to the district to extend sanitary sewer service to the area. These requests need to be documented in the PER.
- Further alternative analysis is needed. This can not just be a do or do nothing analysis.
- Provide evidence that the City of Clarksburg has the capacity to treat the flows from the proposed extension. Will these flows affect Clarksburg's wasteload? All possible effects to Clarksburg's system need to be evaluated, particularly any effects to CSO's.
- Future population and customer projections need to be included as well as the data to support these projections. The PER only contains 2015 and 2019 population estimates. Flow projections vary within the PER.
- Provide peak flow projections for the extension.
- Confirm that Sun Valley is the nearest sewer utility to the project area. What is the distance to the nearest SVPSD connection point from the proposed extension?

Engineering Fees:

Estimated construction cost =	\$ 7,290,000.00
Consultant's design fee =	\$ 500,000.00
Consultant's total fee =	\$ 1,272,500.00
Design fee percentage =	6.86 %
Design fee per ASCE curve =	13.7 %
Total fee percentage =	17.46 %
Total fee per ASCE curve =	27.0 %

Preliminary Project Ratings:

Public Health Benefits:	5
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



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. 2022S-2062
Sun Valley PSD - 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 the District's current financial condition, we are recommending the application be:

- forwarded to the Funding Committee
 forwarded to the Consolidation Committee
 table the application

Please advise if you have any questions.

Sincerely,



Jonathan M. Fowler, P.E.
Engineering Division

JMF:vb

**PUBLIC SERVICE COMMISSION STAFF
TECHNICAL REVIEW**

DATE: July 12, 2022

PROJECT SPONSOR: SUN VALLEY PUBLIC SERVICE DISTRICT - SEWER

PROJECT SUMMARY: Extension of Sewer Service to the areas of Marion Heights and Fletcher Heights, two pump stations and rehabilitation of Lift station #1 & 2

PROPOSED FUNDING:	CWSRF Principal Forgiveness	\$ 1,500,000
	IJDC District 1 Grant	500,000
	WDA Economic Enhancement Grant	3,000,000
	CWSRF Loan	
	(.75%, .25% Admin. Fee, 30 yrs.)	<u>4,100,000</u>
	Total	\$ 9,100,000

CURRENT RATES: \$51.85 3,400 gallons
\$61.00 4,000 gallons

PROPOSED RATES: \$69.53 3,400 gallons
\$81.80 4,000 gallons

Application No. 2022S-2062

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

FINANCIAL: Alex Kovarik

1. Current rates (\$51.85 for 3,400 gallons) are above the rate attributable to 1.25% (\$45.82) of the Median Household Income (MHI), but below the rates attributable to 1.5% (\$54.98), 1.75% (\$64.15) and 2.0% (\$73.31) of the MHI. Increasing current rates to 1.5%, 1.75% and 2.0% of the MHI would provide additional revenues of \$29,589, \$116,114 and \$202,640 respectively.
2. Using Scenario 1, the preferred funding package consisting of CWSRF Principal Forgiveness of \$1,500,000, an IJDC District 1 Grant of \$500,000, WDA Economic Enhancement Grant of \$3,000,000 and a CWSRF Loan of \$4,100,000 at .75%, .25% Admin. Fee, for 30 years, proposed rates (\$69.53 for 3,400 gallons) will provide a cash flow surplus of \$8,221 and debt service coverage of 129.25%.

3. Using the Scenario 2 alternate loan package of \$9,100,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed rates (\$102.24 for 3,400 gallons) will provide a cash flow deficit of \$2,285 and debt service coverage of 118.93%. An additional .2% (for a total of \$102.44 for 3,400 gallons) increase in proposed rates will be required in order to provide a cash flow surplus of \$640 and debt service coverage of 119.35%.

4. NOTES TO COMMENTS

- A. Staff's detailed adjustments are listed on Attachment A for Scenario 1 (Preferred Funding Package), 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, 2021, and the applicant's Rule 42 Exhibit submitted with the application.
- C. Staff notes the applicant's Cash Flow Analysis includes a Going Level rate of \$57.09 for 3,400 gallons. This rate is currently pending per Recommended Decision dated June 30, 2022, in Case No. 22-0030-PSD-19A, and is scheduled to become final on July 20, 2022.
- D. The Draft Rule 42 included with this application made Going-Level adjustments to revenues associated with a proposed acquisition, by Sun Valley PSD, of the Lake Floyd PSD. Additional adjustments at Proforma were also made to increase revenues on the proposed former Lake Floyd PSD customers. Staff spoke with the project sponsor's accountant regarding this situation and the potential impact on the revenue analysis if the acquisition, as proposed, is delayed or isn't approved. As of July 12, 2022, there is no filing at the PSC for the proposed acquisition. Thus, the project sponsor may need to substantially change its rate analysis should its assumptions involving the acquisition not be accurate. The project sponsor's accountant is aware of the staff concerns.
- 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.

ENGINEERING: Jonathan M. Fowler, P.E.

1. This project will require a Certificate of Convenience and Necessity from the PSC. The utility should reference this IJDC 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 proposed project will extend sewer service to the areas of Marion Heights and Fletcher Heights, two pump stations and rehabilitation of Lift station #1 & 2. New customers will include Liberty High School, the Mountaineer Middle School and approximately 150 additional new residential and small commercial customers. Collected sewage will be transmitted to the City of Clarksburg for treatment. The project will include approximately 34,000 linear feet of 8" gravity sewer, 1,500 linear feet of 6" gravity sewer, 225 new manholes, two (2) lift stations with telemetry and 1,600 linear feet of forcemain along with appurtenant work and restoration. Total project cost is estimated at \$9,100,000 with a construction cost (with contingency) estimated at \$7,290,000.

Customer Density: based on 150 new customers and about 35,500 feet (6.7 miles) of new gravity sewers, the density is approximately 22 customers per mile of new gravity mains; this is acceptable.

Cost per New Customer: Based on a project cost of \$7,290,000 and 150 new customers the cost per new customer is about \$48,600 which is considered moderately-high but acceptable.

3. Project Feasibility: The project is technically feasible and poses little implementation risk.
4. Project Alternatives: This having been said, Staff has no objection to the scope of the proposed project and encourages the use of gravity sewers whenever practical and cost-effective, as is the case with this project.
5. Consolidation: There are no realistic consolidation opportunities presented by this project.
6. Inconsistencies: No fatal issues were noted.
7. Operation and Maintenance (O & M) Expenses: A preliminary projection of O&M costs was provided; a more in-depth evaluation of O&M costs will be required in conjunction with any Certificate filing which may result from this application.

8. Engineering Agreement: The application includes information to determine compliance with West Virginia Code §§5G-1-1, et seq. Total technical services fees are \$1,272,500 which is about 17.4% of the construction cost (Including contingency).

<i>Preliminary Project Ranking</i>		
O & M Capabilities		
Performance Measures:	1	<i>Pt.</i>
Asset Management:	1	<i>Pt.</i>
Environmental Management:	1	<i>Pt.</i>
Readiness to Proceed:	0	<i>Pt.</i>
Cost Effectiveness:	0	<i>Pt.</i>
Compliance with PSC Orders:	0	<i>Pt.</i>

SUN VALLEY PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2021
 APPLICATION NO: 2022S-2062
 July 14, 2022

**PREFERRED FUNDING PACKAGE
 SCENARIO 1**

	Rule 42 Going Level Per Application Before Project	Rule 42 Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	583,691	817,334	-	817,334
Other Operating Revenue	13,667	18,871	-	18,871
SB 234 Annual Working Cash Collections	47,946	54,827	-	54,827
Interest Income & Other Misc.	283	283	-	283
Total Cash Available	645,587	891,315	-	891,315
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	383,401	438,686	1,544 (1)	440,230
Taxes	11,245	12,432	-	12,432
Total Cash Requirements Before Debt Service	394,646	451,118	1,544	452,662
Cash Available for Debt Service (A)	250,941	440,197	(1,544)	438,653
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	186,260	346,176	(6,789) (2)	339,387
Other Debt	-	-	-	-
Reserve Account @ 10%	-	15,992	(679) (3)	15,313
Renewal & Replacement Fund (2.5%)	16,133	22,276	(1,371) (4)	20,905
Total Debt Service Requirement	202,393	384,444	(8,839)	375,605
SB 234 Cash Working Capital	47,946	54,827	-	54,827
Remaining Cash	602	926	7,295	8,221
Percent Coverage (A) / (B)	134.73%	127.16%		129.25%
Average rate for 3,400 gallons	\$ 51.85	\$ 69.53	\$ -	\$ 69.53
Average rate for 4,000 gallons	\$ 61.00	\$ 81.80	\$ -	\$ 81.80

SUN VALLEY PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2021
 APPLICATION NO: 2022S-2062

Attachment A
 PREFERRED FUNDING PACKAGE
 SCENARIO 1

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Expenses	Per Staff Analysis	440,230	1,544
	Per Application with Project	438,686	
The difference is due to Staff's calculation of a .25% administrative fee for 30 years.			
(2) Principal & Interest	Per Staff Analysis	339,387	(6,789)
	Per Application with Project	346,176	
The difference in P&I is related to Staff's calculation of the \$4,100,000 CWSRF Loan for 30 years at .75%, 30 years, .25% administrative fee.			
(3) Reserve Account @ 10%	Per Staff Analysis	15,313	(679)
	Per Application with Project	15,992	
Staff assumed a 10% reserve on the new debt.			
(4) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	20,905	(1,371)
	Per Application with Project	22,276	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

SUN VALLEY PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2021
 APPLICATION NO: 2022S-2062
 July 14, 2022

LOAN PACKAGE
 SCENARIO 2

	Rule 42 Going Level Per Application Before Project	Rule 42 Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	583,691	1,228,079	3,000 (1)	1,231,079
Other Operating Revenue	13,667	27,748	-	27,748
SB 234 Annual Working Cash Collections	47,946	54,351	-	54,351
Interest Income & Other Misc.	283	283	-	283
Total Cash Available	645,587	1,310,461	3,000	1,313,461
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	383,401	434,873	-	434,873
Taxes	11,245	12,432	-	12,432
Total Cash Requirements Before Debt Service	394,646	447,305	-	447,305
Cash Available for Debt Service (A)	250,941	863,156	3,000	866,156
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	186,260	721,655	4,091 (2)	725,746
Other Debt	-	-	-	-
Reserve Account @ 10%	-	53,540	409 (3)	53,949
Renewal & Replacement Fund (2.5%)	16,133	32,754	(1,283) (4)	31,471
Total Debt Service Requirement	202,393	807,949	3,217	811,166
SB 234 Cash Working Capital	47,946	54,351	-	54,351
Remaining Cash	602	856	(217)	640
Percent Coverage (A) / (B)	134.73%	119.61%		119.35%
Average rate for 3,400 gallons	\$ 51.85	\$ 102.24	\$ 0.20	\$ 102.44
Average rate for 4,000 gallons	\$ 61.00	\$ 120.28	\$ 0.24	\$ 120.52

SUN VALLEY PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2021
 APPLICATION NO: 2022S-2062

Attachment B
 LOAN PACKAGE
 SCENARIO 2

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	1,231,079	3,000
		Per Application with Project	1,228,079	
	Staff projected that an additional \$3,000 in revenues would be needed to achieve 115% debt service coverage and a positive cash flow surplus.			
(2)	Principal & Interest	Per Staff Analysis	725,746	4,091
		Per Application with Project	721,655	
	The difference in P&I is related to Staff's calculation of a CWSRF Loan of \$9,100,000 for 40 years (paid back over 38 years) at 5%.			
(3)	Reserve Account @ 10%	Per Staff Analysis	53,949	409
		Per Application with Project	53,540	
	Staff assumed a 10% reserve on the new debt.			
(4)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	31,471	(1,283)
		Per Application with Project	32,754	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			