



WEST VIRGINIA

Infrastructure & Jobs Development Council

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Angela K. Chestnut, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

July 1, 2009

Joseph Hankins, Chairman
Jefferson County Public Service District
340 Edmond Road, Suite A
Kearneysville, WV 25430

Re: Jefferson County PSD/Jefferson Utilities, Inc. (Phase II)
Water Project 2009W-1117

Dear Mr. Hankins:

The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) reviewed the preliminary application for the referenced project to replace the existing inadequate distribution systems serving the communities of Keyes Ferry Acres, Westridge Hills and Harpers Ferry campsites (Project). On June 23, 2009, the Infrastructure Council's Water Technical Review Committee issued its comments regarding the application and recommended that the preliminary application not be forwarded to the Funding Committee for consideration due to inconsistencies in project costs between the preliminary engineering report and the application. Also, there was a lack of information of the individual project phases. The Water Technical Review Committee comments need to be resolved prior to the Infrastructure Council making a funding determination. Said comments are attached for your review and response. Additionally, a permit from the WV Bureau for Public Health will be required before construction.

One (1) unbound paper copy and five (5) CD's of the requested information should be submitted on the new application form to the Infrastructure Council at 180 Association Drive, Charleston, WV 25311. Once received, the information will be forwarded to the Water Technical Review Committee for further review.

If you have any questions regarding this matter, please contact me at (304) 558-4607.

Sincerely,

Angela K. Chestnut, P.E.
Executive Director

Enclosure

cc: Bob Decrease, P.E., BPH (w/o enclosure) *(via e-mail)*
Carol Crabtree, Region 9 Planning & Development Council



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR PUBLIC HEALTH
OFFICE OF ENVIRONMENTAL HEALTH SERVICES

Joe Manchin III
Governor

Martha Yeager Walker
Secretary

MEMORANDUM

TO: Chris Jarrett, Funding Committee
WV Infrastructure and Jobs Development Council

FROM: Robert W. DeCrease, P.E. *Robert DeCrease*
Water Technical Review Committee

DATE: June 17, 2009

SUBJECT: Preliminary Application- 2009W-1117
Jefferson County PSD – Water Distribution Upgrade
Jefferson County

1. The Committee has reviewed the pre-application and preliminary engineering report submitted for the above-referenced project in accordance with Chapter 31, Article 15-A. It has been determined that the project is:
 - a. ___ Consistent with the intent of the Infrastructure and Jobs Development Act and is the most cost-effective and environmentally sound alternative for solving the drinking water needs in this area.
 - b. ___ Consistent with the Act but may not be the most cost-effective and environmentally sound alternative for solving the drinking water needs in this area.
 - c. Consistent with the intent of the Act and most cost-effective and environmentally sound alternative for solving the drinking water needs in this area **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 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 denied until technical comments have been resolved.
- d. _____ The project be referred to the Consolidation Committee.

3. Other remarks:

This application is recommended to be returned due to inconsistencies in project costs between the preliminary engineering report and the application and lack of information of the individual project phases which is described in further detail in the technical memo.

This project also has a very high cost per customer value at \$45,378/customer assuming the Phase 1 and Phase 2 of this project is completed which totals to \$16,200,000.

The PSC cash flow for the project at the proposed user rate of \$58.63 (1.64% of MHI) indicates debt service coverage of 122% and an annual cash flow surplus of \$26,043.

RWD:bms

Attachments

pc: Infrastructure Council
OEHS Kearneysville District Office
To be distributed at the Funding Committee Meeting



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR PUBLIC HEALTH
OFFICE OF ENVIRONMENTAL HEALTH SERVICES

Joe Manchin III
Governor

Martha Yeager Walker
Secretary

MEMORANDUM

TO: Robert W. Decrease, P.E.
Manager, Infrastructure & Capacity Development

FROM: Christopher W. Thomas, EIT *Christopher W. Thomas*
Infrastructure & Capacity Development

DATE: June 17, 2009

SUBJECT: Preliminary Application- 2009W-1117
Jefferson County PSD – Water Distribution Upgrade
Jefferson County

RECOMMENDATION:

This project is technically feasible, but due to inconsistencies between the preliminary engineering report and the application it is being returned to the applicant.

PROJECT SCOPE:

This is a previously submitted project with the IJDC # 2009W-1082. This project has been split up into two phases and this project is Phase 2. This project will include the replacement of the existing water distribution system in Harpers Ferry Campsites, Keyes Ferry Acres, and Westridge Hills. The project calls for installing approximately 107,000 lf (20 miles) of water line in varying sizes and 95,000 lf (18 miles) of restoration. Also included in the project are water meters, valves, fire hydrants, blow-off assemblies, and all other necessary appurtenances

The cost per customer is \$16,667. The estimated total project cost is \$5,950,000 (DWTRF Loan: \$1,725,000 0% for 30 years, non-committed; DWTRF ARRA Grant: \$1,725,000, non-committed; IJDC Grant: \$1,000,000, non-committed; SCGC Grant: 1,500,000, non-committed).

NEED FOR THE PROJECT:

The three areas that will be covered by this project have issues with low water quality and quantity. The water distribution system was poorly designed and is greatly undersized which accounts for pressure problems in the system as well as other issues. Moratoriums exist in each of these areas due to

the deficiencies of the systems. Sanitary Surveys conducted in each of these three areas note that the distribution system needs to be improved before additional customers can be connected to the system and to improve the current conditions for existing customers.

CONCERNS:

The application should be returned for the following reasons:

- 1) Inconsistencies in the project costs between the application and the preliminary engineering report.
 - a. The soft costs are inconsistent.
 - b. The construction costs are inconsistent.
- 2) The application does not clearly define what Phase 1 and Phase 2 of the project will include.
- 3) Project engineer will need to address whether the two phases of this project are independent of each other. A sequence of the phases needs to be determined in the project timeline.
- 4) Phase 1 of the project should come back to the Council to be re-reviewed due to the same inconsistencies as stated above.

PERMITS:

A permit will be required from the WV Bureau for Public Health prior to construction.

RANKING:

Public Health: 15

Compliance: 20

Public Service Commission
Of West Virginia

JUN 22 2009

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



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

June 16, 2009

Mr. Robert W. DeCrease, P.E.
Office of Environmental Health Services
Capitol and Washington Streets
1 Davis Square, Suite 200
Charleston, West Virginia 25301-1798

Re: Public Service Commission Staff Review Comments
Application No. 2009W-1117
Jefferson County PSD & Jefferson Utilities
Infrastructure Preliminary Application

Dear Mr. DeCrease:

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,

Ingrid Ferrell

Ingrid Ferrell
Engineering Division
IFerrell@psc.state.wv.us

Enclosures
IF:vt

**PUBLIC SERVICE COMMISSION STAFF
TECHNICAL REVIEW**

DATE: June 16, 2009

PROJECT SPONSOR: JEFFERSON COUNTY PUBLIC SERVICE DISTRICT &
JEFFERSON UTILITIES INC.

PROJECT SUMMARY: Replacement of existing inadequate distribution systems serving the communities of Keyes Ferry Acres, Westridge Hills, and Harpers Ferry Campsites.

PROPOSED FUNDING:	DWTRF Loan	0%, 30 years	\$1,725,000
	WVIJDC Loan	0%, 38 years	1,725,000
	WVIJDC Grant		1,000,000
	SCBG		<u>1,500,000</u>
	Total		\$5,950,000

CURRENT RATES: \$37.60 4,000 gallons (District)

PROPOSED RATES: \$58.63 (\$41.63+\$17.00 surcharge)
4,000 gallons (JUI)

Application Number: 2009W-1117

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

FINANCIAL: Conrad W. Bramlee

1. Current rates of Jefferson County Public Service District (District) (\$37.60 for 4,000 gallons) are above the rates attributable to 1% (\$35.85) of the Median Household Income (MHI), but below the rates attributable to 1.25% (\$44.82), 1.5% (\$53.78), and 1.75% (\$62.74) of the MHI. Current rates were not adjusted to 1.25%, 1.5%, and 1.75% of the MHI due to the fact that proposed rates of Jefferson Utilities, Inc. (JUI) will not affect current water customers of the District.
2. Current District rates (\$37.60 for 4,000 gallons), supplemented with annual lease payments of \$357,942, from JUI will provide a cash flow surplus of \$26,043 and debt service coverage of 122.08%.
3. Using the alternate loan package scenario provided by the applicant of \$5,950,000 at 5% for 40 years (paid back over 38 years), alternate propose rates of (\$68.26 for

4,000 gallons) would provide a cash flow surplus of \$28,155 and debt service coverage of 118.24%.

4. Staff's detailed adjustments are listed on Attachment A for Scenario 1 Preferred Funding Package and Attachment B for Scenario 2 Loan Package.
5. Notes to Comments:
 - A. Staff utilized the applicant's Rule 42 exhibit that is attached to the application which did not include a bill analysis. The applicant's Rule 42 exhibit is based on Staff Report in Case No. 08-0544-W-42A and current and projected information. Staff prepared its attached Cash Flow using the District's annual report for the Fiscal Year Ending June 30, 2008. This is a combined application of Jefferson County Public Service District and Jefferson Utilities Inc.
 - B. This is a cumulative application which includes total lease payment revenues and total debit service that applies to both Phase I and II. Phase I (2009W-1082) was previously reviewed and was also based on Case No. 08-0544-W-42A.
 - C. Although the application shows proposed rates of \$58.63, Staff notes that this applies only to JUI customers. The District's current customers should not experience an increase in rates due to this project.
 - D. The current tariff for JUI's customers contains multiple schedules covering several different water systems. It appears that JUI is proposing to consolidate rates in the proposed project, with a proposed rate of \$41.63 for 4,000 gallons plus a surcharge of \$17.00 for a total monthly bill of \$58.63 for 4,000 gallons.
 - E. Based on the application, the District would be the recipient of the loans and grants for this project. The lease payments from JUI customers appear to cover the costs of the proposed debt service.
 - F. The application states that 500 new customers are to be served by this project. However, the application does not provide any supporting data for the additional customers. The application also states that JUI has 357 existing customers in Keyes Ferry Acres, Westridge, and Harpers Ferry Campsites.

- G. Staff used data from the proposed Cash Flow (Per Project) provided in the application as the basis of analysis for Scenario 1. The application also provided an alternate Cash Flow for the Loan Package for Scenario 2 to support the proposed rate of \$68.26.

ENGINEERING: Jonathan M. Fowler, P.E.

1. This project will require a Certificate of Convenience and Necessity from the PSC. The project sponsor 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. The proposed project is designated as Phase II of an overall project consisting of two phases. Phase I was previously filed as Application No. 2009W-1082. The project will replace an aged and inadequate water system serving approximately 357 existing customers in the Jefferson County communities of Harpers Ferry Acres, Westridge Hills and Keyes Ferry Acres (known as the "Mountain Water Systems"). The applicant further notes that 500 new customers may be served by the project.

Customer Density: The project consists entirely of internal improvements to an existing water system and no new customers are to be added directly as a result of the project (although there is considerable land in the project area for future growth.). Consequently, the customer density was not calculated.

Cost per Customer: Based upon the estimated project cost (\$5,950,000) and the number of existing customers (357) the cost of this phase (alone) is approximately \$16,667 per customer. The Phase I cost per customer was \$28,711.

3. **Project Feasibility:**

Based upon Staff's review of the available engineering reports, analysis and other data furnished in the application, this project is considered feasible.

4. **Project Alternatives:**

The County Commission's independent consulting engineer (Dunn Engineers) has completed a detailed and thorough evaluation of the alternatives. Engineering Staff supports the project selection process and the selected alternative (utilizing a crossing of the Shenandoah River to bring potable water to the Mountain Systems from a source in the Valley System).

5. Consolidation:

There are no apparent consolidation issues with this project.

6. Inconsistencies:

Engineering fees should be explained in detail. (See also, Item 8, below.)

7. Operation and Maintenance Expenses:

The applicant provided a preliminary estimate of O&M costs which, in light of the relative magnitude of the Phase I project, is opined to be adequate at this stage of the project. A more refined analysis of the O&M costs would be made during our review of any Certificate filing which may potentially result from this preliminary application.

8. Engineering Agreement:

The application did not include sufficient documentation to determine compliance with West Virginia Code §§5G-1-1, et seq. However, Staff understands that the applicant is currently in the process of completing an engineering procurement in accordance with said requirements. Based upon our knowledge of the project and process, we opine that the applicant will soon achieved compliance with the noted section.

According to the preliminary project budget, engineering services are estimated at about 17.4% of construction costs or \$755,500.

9. Staff recommends this application be sent to the Funding Committee.

Preliminary Project Ranking:

5. O & M Capabilities:

Performance Measures = 1 pt.

6. Readiness to Proceed: = 0 pts.

8. Cost effectiveness: = 3 pts.

10. Compliance with PSC Orders: = 10 pts.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2008
 2009W-1117
 June 16, 2009

SCENARIO 1
 PREFERRED FUNDING PACKAGE

	Per Application Before Project	Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	52,301	52,301	(1,617)	50,684
Other Operating Revenue			1,617	1,617
Lease Payment Revenues		357,942		357,942
Interest Income & Other Miscell.	4,235	4,235	-	4,235
Total Cash Available	56,536	414,478	-	414,478
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	43,365	52,365	(4,435)	47,931
Taxes			-	-
Total Cash Requirements Before Debt Service	43,365	52,365	(4,435)	47,931
Cash Available for Debt Service (A)	13,171	362,113	4,435	366,548
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)		300,263	-	300,263
Reserve Account @ 10%		30,026	-	30,026
Renewal & Replacement Fund (2.5%)		8,949	1,267	10,216
Total Debt Service Requirement	-	339,238	1,267	340,505
Remaining Cash	13,171	22,875	3,168	26,043
Percent Coverage (A) / (B)	0.00%	120.60%		122.08%
Average rate for 4,000 gallons District	\$ 37.60	\$ 37.60	\$ -	\$ 37.60
Average rate for 4,000 gallons JUI		\$ 58.63	\$ -	\$ 58.63

STAFF ADJUSTMENTS

PREFERRED FUNDING PACKAGE

Attachment A

<u>ADJUSTMENT DESCRIPTION</u>			<u>INCREASE <DECREASE></u> \$
Operating Revenues			
explanation of adjustment	Per Staff Analysis	50,684	(1,617)
	Per Application with Project	<u>52,301</u>	
Adjusted to annual report		(1,617)	
Other Operating Revenue			
explanation of adjustment	Per Staff Analysis	1,617	1,617
	Per Application with Project	<u>-</u>	
Adjusted to annual report		1,617	
Operating Expenses			
explanation of adjustment	Per Staff Analysis	47,931	(4,435)
	Per Application with Project	<u>52,365</u>	
To include administrative fee per analysis.		(4,435)	
Renewal & Replacement Fund (2.5%)			
explanation of adjustment	Per Staff Analysis	10,216	1,267
	Per Application with Project	<u>8,949</u>	
To include renewal and replacement reserve.		1,267	

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2008
 2009W-1117
 June 16, 2009

SCENARIO 2
 LOAN PACKAGE

	Per Application Before Project	Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	52,301	52,301	(1,617)	50,684
Other Operating Revenue			1,617	1,617
Lease Payment Revenues		637,304		637,304
Interest Income & Other Miscell.	4,235	4,235	-	4,235
Total Cash Available	56,536	693,840	-	693,840
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	43,365	43,365	-	43,365
Taxes			-	-
Total Cash Requirements Before Debt Service	43,365	43,365	-	43,365
Cash Available for Debt Service (A)	13,171	650,475	-	650,475
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)		547,468	2,641	550,109
Reserve Account @ 10%		54,747	264	55,011
Renewal & Replacement Fund (2.5%)		15,933	1,267	17,200
Total Debt Service Requirement	-	618,148	4,172	622,320
Remaining Cash	13,171	32,327	(4,172)	28,155
Percent Coverage (A) / (B)	0.00%	118.82%		118.24%
Average rate for 4,000 gallons District	\$ 37.60	\$ 37.60	\$ -	\$ 37.60
Average rate for 4,000 gallons JUI		\$ 68.26	\$ -	\$ 68.26

STAFF ADJUSTMENTS

LOAN PACKAGE

Attachment B

<u>ADJUSTMENT DESCRIPTION</u>			<u>INCREASE <DECREASE></u> \$
Operating Revenues			
explanation of adjustment	Per Staff Analysis	50,684	(1,617)
	Per Application with Project	<u>52,301</u>	
Adjusted to annual report		(1,617)	
Other Operating Revenue			
explanation of adjustment	Per Staff Analysis	1,617	1,617
	Per Application with Project	<u>-</u>	
Adjusted to annual report		1,617	
Principal & Interest			
explanation of adjustment	Per Staff Analysis	550,109	2,641
	Per Application with Project	<u>547,468</u>	
Based on Staff's amortization schedule		2,641	
Reserve Account @ 10%			
explanation of adjustment	Per Staff Analysis	55,011	264
	Per Application with Project	<u>54,747</u>	
To include primary reserve		264	
Renewal & Replacement Fund (2.5%)			
explanation of adjustment	Per Staff Analysis	17,200	1,267
	Per Application with Project	<u>15,933</u>	
To include renewal and replacement reserve		1,267	

OEHS District Review for Infrastructure Council Water Projects

Water System:	Jefferson County PSD & Jefferson Utilities	IJDC Number:	2009W-1117
Project Description:	Extend water service from JUI Valley Water System to serve Mountain Systems and line replacement in the Mountain Systems	Review by:	Brad Reed Alan Marchun
County:	Jefferson	Date:	6/15/2009

<u>No.</u>	<u>Review Criteria</u>	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Comments (Especially if No is indicated or providing a DWTRF score)</u>
1.	Does the district agree that the project scope seems to be the most feasible solution?	√			
2.	Is this the most practical project to correct the problem stated in the application?	√			Replacement of the undersized mains is necessary to correct pressure & volume problems effecting the existing customers.
3.	Does the project solve the major operation maintenance problems in the water system?	√			Upon completion of both phases
4.	Does the project eliminate deficiencies noted in the sanitary survey?	√			Upon completion of both phases
5.	Should these improvements be made to this system versus another system that could serve the same area?			√	
6.	The application has an alternative in it evaluating the most likely consolidation option?			√	
7.	Do you agree with the need statement for the project?	√			
8.	Has the engineer included all justification (that you are aware of) in the project application?	√			
9.	Is the management of the water system capable of completing this project?	√			



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) 926-0496

Joe Manchin III, Governor
Randy C. Huffman, Cabinet Secretary
www.wvdep.org

MEMORANDUM

MEMO TO: Jefferson E. Brady, P. E.
Office of Environmental Health Services
Bureau for Public Health

FROM: John M. Perkins
Supervisor
General Permits & Support Team

DATE: June 12, 2009 *JEP* *2009W-1117*

SUBJECT: Revised Infrastructure Preliminary Application for the Jefferson County PSD and Jefferson Utilities, Inc. (2009W-1082 revised): Phase II of the Mountain Water Project: Extension of 16" main and replacement of the existing inadequate distribution systems serving the communities of Keyes Ferry Acres, Westridge Hills, Harpers Ferry Campsites, and Millville, Jefferson County, WV.

We have reviewed the above referenced project application information. The revised preliminary application indicates that the proposed project will include Phase II of the Mountain Water Project: an extension 16" main and replacement of the existing inadequate distribution systems serving the communities of Keyes Ferry Acres, Westridge Hills, Harpers Ferry Campsites, and Millville, Jefferson County. The Harpers Ferry Water Works Plant discharges its backwash to its site, which is covered under WV/NPDES Site Registration No. WVG640047 and expires June 28, 2012.

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 December 5, 2007. 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 Bill Timmermeyer at (304)-926-0499, extension 1336.

Jefferson E. Brady, P. E

June 12, 2009

Page 2

Further, the preliminary application indicates the need for stream crossings. As such, it is assumed that the appropriate organizations will be contacted, as necessary.

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 Doug Casto at Relay 711, extension TTY (304) 926-0489, should additional information be required.

JMP:dac

cc: Mike Johnson