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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  
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Earl Ray Tomblin, Governor  
Randy C. Huffman, Cabinet Secretary  
dep.wv.gov

**MEMORANDUM**

**To:** Chris Jarrett, Chairman  
Funding Committee  
Infrastructure and Jobs Development Council

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

**Date:** February 24, 2015

**Subject:** Town of Franklin Preliminary Application: 2013S-1406  
Sanitary Sewer System Improvements and Upgrades  
Request for Funding Package Change

- 
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 denied until technical comments have been resolved.
- d. \_\_\_\_ This project should be referred to the Consolidation Committee.

3. Other remarks:

This request is to change the previously recommended funding package from:

SCBG:	\$1,500,000
IJDC Grant:	\$ 400,000
CWSRF Loan:	<u>\$1,140,900</u>
TOTAL	\$3,040,900

To the following:

IJDC Grant:	\$ 840,900
IJDC Loan:	\$ 700,000
SCBG Grant:	<u>\$1,500,000</u>
TOTAL	\$3,040,900

Recognizing that the EPA grant to CWSRF is larger than anticipated; the CWSRF is willing to evaluate continuing to fund this project.

A variance for Total Engineering Fee will be required.

Attachments: Technical Comments

**Engineering Fees**

Estimated construction cost = \$2,309,050

Consultant's design fee =	\$200,000	Consultant's total fee =	\$552,000
Design fee percentage =	8.7%	Total fee percentage =	23.9%
Design fee per ASCE curve =	9.0%	Total fee per ASCE =	20.5%



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**MEMORANDUM**

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

**FROM:** Thomas Cazad, DWWM

**DATE:** February 12, 2015

**SUBJECT:** Town of Franklin Preliminary Application: 2013S-1406  
Sanitary Sewer System Improvements and Upgrades

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**RECOMMENDATION**

The Town of Franklin has requested a change in the proposed funding package which would utilize a SCBG of \$1,500,000, an IJDC loan of \$700,000 at (30 year, 2% interest, 0.5% admin) and an IJDC grant of \$840,900 instead of the CWSRF loan proposed in the original application. The revised funding request for this project has been reviewed, and it is recommended that the request be forwarded to the Funding Committee.

**PROJECT DESCRIPTION**

The Town of Franklin had previously submitted an application (IJDC No. 2008S-1172) for a project to comply with Chesapeake Bay nutrient removal requirements. With the issuance of the Chesapeake Bay TMDL in December 2010, Franklin was no longer required to comply with the stringent nutrient removal criteria. A re-evaluation of alternatives was conducted, resulting in this application being submitted.

The current project includes improvements to the existing gravity sewer collection system as well as the existing aerated lagoon wastewater treatment system.

The proposed collection system improvements includes rehabilitation of approximately 7,300 LF of gravity sewer line, 36 manhole inserts, approximately 4,500 LF of new gravity sewer line, and 19 new manholes.

The proposed treatment system improvements include a new influent pumping station, replacement of existing liners and floating baffles, disinfection upgrades, mechanical bar screen improvements, new blowers, and aeration system upgrade.

The estimated construction cost for the project is \$2,309,049.60 and the total project cost is estimated to be \$3,040,900. The proposed funding is \$1,500,000 SCBG, \$840,900 IJDC grant, and \$700,000 IJDC loan (30 year, 2% interest, 0.5% admin).

A variance for Total Engineering Fee will be required.

*Public Service Commission  
Of West Virginia*

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



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

February 20, 2015

Mr. Mike Warwick, 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. 2013S-1406 (Revised)  
Town of Franklin (Sewer)  
Infrastructure Preliminary Application

Dear Mr. Warwick:

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
- ☐ The application to be TABLED. (See comments below.)

Please advise if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan M. Fowler".

Jonathan M. Fowler, P.E.  
Engineering Division

Enclosures  
JMF:vt



**PUBLIC SERVICE COMMISSION STAFF  
TECHNICAL REVIEW**

**DATE:** February 20, 2015 (Revised)

**PROJECT SPONSOR:** TOWN OF FRANKLIN (SEWER)

**PROJECT SUMMARY:** This project includes upgrades and improvements to the existing lagoon system and also includes rehab work on the collection system to reduce I&I.

<b>PROPOSED FUNDING:</b> IJDC Loan 2%, 30 yrs.	\$700,000
IJDC Grant	840,900
SCBG	<u>1,500,000</u>
Total	<u>\$3,040,900</u>

**CURRENT RATES:** \$37.33 3,400 gallons

**PROPOSED RATES:** \$41.81 3,400 gallons

Application No. 2013S-1406 Revised

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

**FINANCIAL:** Dave Acord

1. Current rates (\$37.33 for 3,400 gallons) are below the rates attributable to 1.5% (\$40.98), 1.75% (\$47.81), and 2% (\$54.64) of the Median Household Income (MHI). Increasing current rates to 1.5%, 1.75%, and 2% of the MHI would provide additional revenues of \$21,659, \$62,189, and \$102,719 respectively.
2. Using Scenario 1, the preferred funding package consisting of an IJDC Loan of \$700,000 at 2% for 30 years, an IJDC Grant of \$840,900, and a SCBG in the amount of \$1,500,000, proposed target rates (\$41.81 for 3,400 gallons) would provide a cash flow surplus of \$14,280 and debt service coverage of 134.66%.

**3. FINANCIAL COMMENTS:**

- A. Staff's detailed adjustments are listed on Attachment A for Scenario 1 (Preferred Funding Package).

- B. This application was last reviewed in March 2013. At that time, the funding package consisted of a CWSRF Loan for \$1,140,900 at 0%, .5% Admin. Fee, for 40 years (paid back over 38 years), an IJDC Grant of \$400,000, and a SCBG for \$1,500,000. Staff notes that the previous project and this project both propose to serve no new customers.
- C. The Town of Franklin 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: Jonathan M. Fowler, P.E.

- 1. This project was last reviewed in March 2013. The current application proposes only to change the funding sources. All engineering comments from the prior review remain applicable and included herein by reference.

TOWN OF FRANKLIN - SEWER  
CASH FLOW ANALYSIS  
YEAR ENDED: June 30, 2014  
APPLICATION NO: 2013S-1406 REVISED  
February 23, 2015

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	214,305	240,020	-	240,020
Other Operating Revenue	4,968	4,968	-	4,968
Interest Income & Other Miscell.	121	121	-	121
Total Cash Available	219,394	245,109	-	245,109
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	138,669	146,512	(7,715) (1)	138,797
Taxes	4,308	4,403	-	4,403
Total Cash Requirements Before Debt Service	142,977	150,915	(7,715)	143,200
Cash Available for Debt Service (A)	76,417	94,194	7,715	101,909
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	44,424	75,472	207 (2)	75,679
Other Debt	2,700	2,700		2,700
Reserve Account @ 10%		3,105	20 (3)	3,125
Renewal & Replacement Fund (2.5%)	5,485	5,485	640 (4)	6,125
Total Debt Service Requirement	52,609	86,762	867	87,629
Remaining Cash	23,808	7,432	6,848	14,280
Percent Coverage (A) / (B)	172.02%	124.81%		134.66%
Average rate for 3,400 gallons	\$ 37.33	\$ 41.81	\$ -	\$ 41.81



**TOWN OF FRANKLIN - SEWER  
CASH FLOW ANALYSIS  
YEAR ENDED: June 30, 2014  
APPLICATION NO: 2013S-1406 REVISED**

**Attachment A  
PREFERRED FUNDING PACKAGE  
SCENARIO 1**

**Staff Adjustments**

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Expenses	Per Staff Analysis	138,797	(7,715)
	Per Application with Project	146,512	
To remove administrative fees for the proposed IJDC loan, since IJDC loans do not have administrative fees.			
(2) Principal & Interest	Per Staff Analysis	75,679	207
	Per Application with Project	75,472	
The difference in P&I is related to Staff's calculation of an IJDC loan of \$700,000 at 2% for 30 years.			
(3) Reserve Account @ 10%	Per Staff Analysis	3,125	20
	Per Application with Project	3,105	
Staff included 10% funding for the new proposed loans.			
(4) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	6,125	640
	Per Application with Project	5,485	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			