

July 24, 2019

WV PSC Rule 5.5. (150CSR5)

“A sewer utility, whether publicly or privately owned, is under a public service obligation to extend its mains, and its plant and facilities to serve new customers within its service area who may apply for service.

Extensions shall be made in all cases in which the public convenience and necessity require the service, construction problems are not unusual or burdensome, and the extensions appear to be economically feasible.”

Engineering is complete and all State approvals obtained. Financing commitment received from WV IJDC for \$10,000,000 (January 4, 2019).

The lending agency (WV Water Development Authority) has accepted the forecast of repayment over 20 years. Agreed to repayment term of 25 years.

RATES

The current rate structures between CTUB, Ranson and the JCPSD are not apples to apples.

Charles Town's rates are: First 2,000 gallons \$14.07, Next 8,000 gallons \$10.12, Over 10,000 gallons \$9.20

Ranson's rates are: First 2,000 gallons \$14.79, Next 8,000 gallons \$10.64, Over 10,000 gallons \$9.67

JCPSD's rate is \$16.61 per 1,000 gallons

PROJECTS

Potentially, four (4) projects could be constructed within the first 5 years after consolidation:

1. The Route 9 Sewer Infrastructure Project estimated at \$10,000,000.
2. The Flowing Springs Project. The cost of this project depends significantly on 1. above.
3. The Ranson projects estimated at \$2,000,000.
4. The 2021 Renewal and Replacement Project estimated at \$3,394,500.

POLICY DECISIONS

First and foremost, Council and CTUB should reach agreement on direction for rate equalization based on factual information. Continued work sessions between the CTUB and Council are critical to ensure fulfilling the goals of acquisition, rate equalization, project details, funding options and rate impacts.

WHAT IS KNOWN (POLICY ISSUES ARE IN BOLD)

1. **The Route 9 Sewer Infrastructure Project funded through the City of Charles Town / Charles Town Building Commission and guaranteed by the WV State Development Office will have NO RATE IMPACT to customers.**
2. **The Route 9 Sewer Infrastructure Project funded under WV PSC Rule 5.5 will cost ratepayers \$2,444,263 (See J.C. Kunkle Analysis of Rockwool Extension under Rule 5.5 at \$2,095,030 over 11 years plus 9 remaining years of debt service at \$38,803.68 per year). If spread over all customers, the rates will increase by approximately \$0.42 per 1,000.**
3. **Based on FY18 financial information, the Revised Flowing Springs Project could be achieved with no rate impact to JCPSD customers, however, this would limit the flexibility of rate equalization over 10 years.**

4. **Equalization of the Charles Town and Ranson tariffs could occur as early as FY20 (July 1, 2019 to June 30, 2020).**
5. Based on the current Ranson Tariff, the \$2 million Ranson Project can be achieved with no rate impact to Ranson customers. This would also limit flexibility in rate equalization.
6. From the 2018 Sewer Strategic Plan, the 2021 Renewal and Replacement Project is estimated at \$3,394,500. As a result of older bond issues being paid in full, available funds of approximately \$167,000 per year will be available in 2022, without a customer rate increase. Based on this debt service payment and current market rates, a bank qualified insured utility revenue bond could be issued in the amount of \$2,750,000 for the project. The balance needed of \$644,500 will likely grow to \$1,000,000 by 2021 and could require a minimal rate increase.
7. Preliminary Engineering for the Renewal & Replacement Project has begun.

WHAT IS NOT KNOWN (POLICY ISSUES ARE IN BOLD)

1. The construction cost of a single line and necessary appurtenances solely dedicated to ROCKWOOL and connecting to the Flowing Springs Pump Station.
2. The rate impact to reimburse ROCKWOOL under WV PSC Rule 5.5, should ROCKWOOL construct a single line solely dedicated is unknown.
3. The Revised Flowing Springs project re-evaluation to determine additional project costs in the Northern Region, should ROCKWOOL construct a sole source line.
4. **The rate impact to tier the JCPSD single rate. This must be accomplished before equalization can occur and will require an evaluation of JCPSD customer consumption in 3 tiers (OR Charles Town and Ranson to a single tier) to determine the rate impact. This process can begin once the JCPSD O&M, G&A and debt service cost reductions are more precise.**
5. **Currently, equalization from the JCPSD single tier to a multi-tier is discriminatory to the JCPSD residential customers. Equalizing to Ranson's tariff, the decrease for a JCPSD residential customer would only be approximately 22%, while the decrease to commercial customers would be 35%. See attached J.C. Kunkle Analysis of Jefferson County PSD Tariff Differential, Jefferson County Public Service District Component, % Decrease to Ranson Rates.**
6. The JCPSD O&M, G&A and debt service cost reductions will become more precisely identified at the fiscal year ending June 30, 2020.
7. Design of the CTWWTP Expansion to 2.25 MGD project to increase volumetric capacity at Charles Town from 1.75 mgd to 2.25 mgd is forecast to begin in 2033, however, engineering may be required earlier and will be adjusted in future SSP updates.