

Special Sanitary Board Agenda
Thursday, December 8, 2022
1:00 p.m.
Town Hall
104 N. King St.
Shepherdstown, WV 25443
Masks - Optional

1. Call to Order
2. Visitors: David Decker, CPA
3. Agenda items:
 - a. Sewer Rate Increase
 - b. Testing of influent at Wastewater Plant
4. Adjournment



DECKER & COMPANY PLLC
CERTIFIED PUBLIC ACCOUNTING

Warm Springs Business Center · 64 Warm Springs Avenue · Martinsburg, WV 25404

**Corporation of Shepherdstown – Sewer Department
New Sewer Rates and Rule 42 Exhibit Memo
November 29, 2022**

In continuation of our previous discussions concerning a potential increase in Sewer service rates, I contacted the Public Service Commission of West Virginia (PSC) regarding several questions we had regarding the sewer membranes and how to report them for rate making (i.e. Rule 42 Exhibit) purposes, and their related effect on the rate increase. Below are several important points I would like to relay to the Utility Board.

- While sewer membranes are considered a normal Operating & Maintenance (O&M) expense for your financial statements, their costs can be removed from O&M for Rule 42 Exhibit purposes, thus they will be excluded from your Debt Service Coverage calculation - that is a good thing.
- Annual funding of the Membrane Replacement Cost Reserve (cash account) can be based on the engineer's estimation of \$1,100,000 to replace the next 4 membranes over a seven year funding period, which equals \$157,143 per year over seven years, and that can also be excluded from your Debt Service Coverage calculation - that is a good thing.
- In order to implement any future rate increase, utilities must comply with PSC General Order 183.08 and fund a Cash Working Capital Reserve (cash account) equal to one-eighth of your annual O&M expenses. Cash Working Capital Reserve funds can only be used for "extraordinary and non-recurring expenditures".
- Both the cost of the sewer membranes and the annual funding of the Membrane Replacement Cost Reserve are excluded from O&M and are thus excluded from the Cash Working Capital Reserve calculation – that is a good thing.
- However, you cannot use the Cash Working Capital Reserve account to help fund the cost of the membranes as the membranes are a recurring cost – that is a bad thing.
- Without a rate increase, I am projecting that the Sewer Department will have a cash flow deficit of approximately \$80,000 annually – that is a bad thing. Cash flow is: Sewer revenue less O&M expenses less debt service less Membrane Replacement Cost Reserve funding.

- **I am projecting that a 19.0% rate increase for Sewer services is needed.** This will provide for approximately \$25,000 of annual cash flow surplus after funding both the annual Membrane Replacement Cost Reserve and the new, required Cash Working Capital Reserve. Debt service coverage would be 261%.
- The 19% rate increase can be looked at as being comprised of a 10% increase due to “normal” cash flow needs and 9% increase due to the Cash Working Capital Reserve requirement.
- The Sewer Department last had a rate increase on July 1, 2011 - that is almost eleven and a half years that rate payers have been paying the same rates without an increase.
- In order to proceed with a rate increase, the Utility Board will need to make a motion to seek a rate increase and to approve its PSC legal counsel to file the necessary paperwork and Decker & Company PLLC to prepare the Rule 42 Exhibit. **We will need to start and complete the Rule 42 Exhibit in December as we will not be able to work on it during January through April due to other scheduling commitments.** I have attached our engagement letter (i.e. contract) for approval.

Sincerely,

Decker & Company PLLC

David W. Decker

David W. Decker, CPA
Member

CORPORATION OF SHEPHERDSTOWN, a municipal corporation

OF

SHEPHERDSTOWN, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

SEWERAGE AND SEWAGE DISPOSAL SERVICE

at Shepherdstown and vicinity, Jefferson County, West Virginia

Filed with **THE PUBLIC SERVICE COMMISSION**

of

WEST VIRGINIA

RECEIVED
10 JUL 9 AM 9:09
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Issued June 18, 2010

Effective for service rendered on or after July 1, 2011
or as otherwise provided herein

Adopted by Corporation Council

Issued by CORPORATION OF SHEPHERDSTOWN, a municipal corporation

By

Alto J. Austin

Mayor

Title

APPLICABILITY

Applicable to entire territory served

AVAILABILITY OF SERVICE

Available for sanitary sewer service.

(I) RATE (Based on metered amount of water supplied or water supplied.)

First	2,600 gallons used per month	13.24 per 1,000 gallons
Next	7,400 gallons used per month	12.44 per 1,000 gallons
All Over	10,000 gallons used per month	10.85 per 1,000 gallons

(I) MINIMUM BILL

5/8 inch meter or less	\$ 34.44 per month
3/4 inch meter	\$ 51.66 per month
1 inch meter	\$ 86.10 per month
1 - 1/4 inch meter	\$ 125.71 per month
1 - 1/2 inch meter	\$ 172.23 per month
2 inch meter	\$ 275.55 per month
3 inch meter	\$ 516.66 per month
4 inch meter	\$ 861.09 per month
6 inch meter	\$1,699.98 per month

DELAYED PAYMENT PENALTY

The above tariff is net. Any account not paid in full within twenty (20) days of the date of bill, ten percent (10%) will be added to the amount due. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

CONNECTION CHARGE

The fee for new residential sewer connections will be a \$500.00 hook-up fee and a \$2,808.00 Capacity Capital Cost Fee for a total of \$3,308.00 per new residential sewer connection; and the fee for new commercial sewer connections will be a \$500.00 hook-up fee and a Capacity Capital Cost Fee to be determined by multiplying the residential usage equivalent prescribed by this ordinance by the sum of \$2,808.00.

The residential usage equivalents for capacity improvement capital cost fee shall be as indicated in the attached table:

(I) Indicates increase

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Sewerage Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

II. MULTIPLE OCCUPANCY

Apartment buildings or other multiple occupancy buildings shall be provided with a master meter. No bill shall be rendered for less than sixteen dollars and forty-eight cents (\$16.48), multiplied by the number of units on the site at the time the meter is read, or the actual charge for the size of meter installed, whichever is greater. Motels and hotels shall pay according to the size of meter installed.

III. SERVICES CHARGES FOR NON-WATER USERS

All sewer accounts shall be required to install water meters for the purpose of establishing sewer service charges. The meters shall be installed by the town at the established rate for customers on the town water system and will be owned and maintained by the town.

SECURITY DEPOSIT

A refundable security deposit of 1/12 the annual estimated annual charge for residential service or 1/6 for all other services shall be required prior to service being connected or reconnected (if warranted). Said deposit will be refunded (with interest as stated in Rules) after 12 consecutive months of on time payments.

RETURNED CHECK CHARGE

Whenever a check is returned for insufficient funds, a service charge of actual cost to the utility (not to exceed \$15.00) shall be charged.

RECONNECTION CHARGE

\$25.00

LEAK ADJUSTMENT INCREMENT

An incremental charge of \$1.00 per M gallons shall be charged for all sewer billed in excess of the customer's historic usage.

(I) Indicates increase

CORPORATION OF SHEPHERDSTOWN (Sewer)

P.S.C. W. Va. No. 13
Original Sheet No. 4

<u>Unit</u>	<u>Residential Equivalent Gallons/Day</u>	<u>Usage Equivalent</u>	<u>Cost/Usage Equivalent 1 EDU = 's \$2,808</u>
Industry			
General Industry	15/person/shift	0.1/person/shift	\$ 281
Warehouse	15/employee	0.1/employee	\$ 281
Institution			
Hospital	250/bed	1.67/bed	\$4,689
Nursing Homes	150/bed	1/bed	\$2,808
Others	75/person	0.5/person	\$1,404
Churches with kitchens	8/member	0.05/member	\$ 140
Churches without kitchens	2/member	0.013/member	\$ 37
Residence			
Single family detached	150/unit	1.0/unit	\$2,808
Single family attached	150/unit	1.0/unit	\$2,808
Apartments	150/unit	1.0/unit	\$2,808
Mobile Home	150/unit	1.0/unit	\$2,808
Condominium	150/unit	1.0/unit	\$2,808
Bed and Breakfast	150/unit	1.0/unit	\$2,808
School			
Day, no cafeteria	15/pupil	0.1/pupil	\$ 281
Day with cafeteria	18/pupil	0.12/pupil	\$ 337
Day with cafeteria/showers	20/pupil	0.133/pupil	\$ 373
Boarding	75/pupil	0.5/pupil	\$1,404
Dormitory	75/student space	0.5/student	\$1,404
Commercial			
Service Station	500/set of pumps	3.33/set of pumps	\$9,351
Shopping Center	16/100 sf of sales	0.12/100 sf of sales	\$ 337
Swimming Pool	10/swimmer design	0.067/swimmer design	\$ 188
Theatre	3/seat	0.02/seat	\$ 56
Fast Food Restaurant	35/seat	0.23/seat	\$ 646
Bowling Alley	200/alley	1.33/alley	\$3,735
Food Service	32/seat	0.213/seat	\$ 598
Laundry Self Service	250/washer	1.67/washer	\$4,689
Bar & Cocktail Lounge	2/seat	0.013/seat	\$ 37
Tavern-no meals	2/seat	0.013/seat	\$ 37
Retail Stores	400/restroom	2.67/restroom	\$7,497
Hotel/Motel	120/room	0.8/room	\$2,246

Example Calculation:

A service station with 6 sets of pumps would pay \$9,351 per set of pumps or \$56,106 total. A set of pumps is one grouping on one side of a gas service island intended to serve 1 vehicle.

(O)

(O) Indicates omission