



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: Brad Sergent, Chair

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

Date: May 21, 2026

Subject: City of Montgomery
IJDC Application - 2026S-2781
Sewer System Improvements Phase II-WWTP Upgrade

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 water 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 should be tabled for the consultant to address technical comments.
- d. ___ This project should be referred to the Consolidation Committee.

3. Other remarks:

This project will upgrade the City's wastewater treatment plant. The facility has exceeded its useful life and some of the equipment has ceased functioning and is being bypassed.

The proposed total cost for this project is \$11,300,000.00 and the City has been awarded \$2,640,000 in CDS funds, \$660,000 in CDS match, the City also intends to pursue a \$1,000,000 IJDC Grant, \$2,000,000 CWSRF PF Grant, and \$5,000,000 CWSRF Loan. The current monthly rate for 3,400 gallons is \$62.25 (2.76% MHI) with no planned rate increase.

A variance will be needed for the total engineering fees.

Preliminary Project Ratings:

Public Health Benefits: 5
Compliance with Standards: 5



Arvin Singh, EdD, MBA, MPH, MS, FACHDM, FACHE
Secretary of Health

Jason R. Frame
OEHS Director

MEMORANDUM

TO: Meredith J. Vance, Director
Environmental Engineering Division

FROM: Patrick Murphy, P.E.
Environmental Engineering Division

DATE: May 8, 2026

SUBJECT: City of Montgomery
IJDC Application- **2026S-2781**
Sanitary Sewer Plant Upgrade
Fayette County

Recommendation: We have reviewed this preliminary application and recommend that it be forwarded to the Funding Committee for review.

Project Scope: This project proposes the upgrade and refurbishing of the existing 0.5 MGD wastewater treatment plant.

The total project cost is **\$11,300,000.00**.

Need for the Project: The need for the project is to address failing mechanical and electrical equipment that have exceeded their useful lives.

Concerns: No concerns were noted.

Permits: Permits and/or agency consultations that may be expected to be required include: WVDH, WVDEP, WVSHPO, WVDNR and USF&W.





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MEMORANDUM

TO: Katheryn Emery, P.E., Program Manager, DWWM

FROM: Justin Moffitt, P.E., DWWM

DATE: May 11, 2026

SUBJECT: City of Montgomery
IJDC Application - 2026S-2781
Sewer System Improvements Phase II-WWTP Upgrade

RECOMMENDATION

The Preliminary Engineering Report (PER) and IJDC Application prepared by The Thrasher Group, Inc. for the above referenced project has been reviewed and is technically feasible.

PROJECT DESCRIPTION

The City of Montgomery (City) owns and operates a sanitary sewer collection system and treatment utility serving approximately 592 customers within the city limits, in the Morris Drive area, and Town of Handley in Kanawha County. The City is a CSO community that currently operates a 0.5 million gallons per day (MGD) average daily flow (ADF) extended aeration wastewater treatment plant (WWTP) with 4 permitted CSOs. The City's Phase I project is currently being designed and will consist of separation work.

The Phase II project consists of upgrades to the WWTP, including the installation of a new mechanical screen, grit removal, and generator; construction of two (2) 35-foot diameter clarifiers, a WAS/RAS pump station, access road, and garage; replacement of six (6) mixers, three (3) blowers, and aeration diffusers; refurbishment of the oxidation ditch, chlorine contact chamber, sludge pump station, sludge aeration, belt filter press, and existing buildings; removal of the boat clarifier; purchases of a service truck, a dump truck, a mini excavator with a trailer, and a skid steer; and miscellaneous appurtenances.

The proposed total cost for this project is \$11,300,000.00 and the City has been awarded \$2,640,000 in CDS funds, \$660,000 in CDS match, the City also intends to pursue a \$1,000,000 IJDC Grant, \$2,000,000 CWSRF PF Grant, and \$5,000,000 CWSRF Loan. The current monthly rate for 3,400 gallons is \$62.25 (2.76% MHI) with no planned rate increase.

NEED FOR PROJECT

The need for this project is largely based on the age of the infrastructure. Cracks have been formed in the concrete structures of the oxidation ditch, the Chlorine Contact Tanks and the sidewalk. Equipment has stopped functioning and is being bypassed. The grit removal unit has failed and the replacement bar screen has to be cleaned manually each day. The grit channels are clogged and the BOAT clarifier is no longer functioning. Overall, the WWTP components have reached the end of their useful lives and are in need of repairs, equipment replacements, and upgrades to provide reliability and resiliency to the customers of the City.

DEFICIENCIES/COMMENTS

- Using the Combined Application, the Total Engineering Fees appear to be above the ASCE curve.
- The PER will need to be developed into a facilities plan that meets CWSRF requirements if CWSRF is used.

Preliminary Project Ratings:

Public Health Benefits: 5
Compliance with Standards: 20

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



May 13, 2026

Brad Sergent, Chair

Water Development Authority, Acting Executive Director

Katheryn Emery, P.E., Program Manager

CWSRF & DWTRF, Division of Water and Waste Management, WVDEP

Meredith Vance, Director

Environmental Engineering Division, WVBPH

Re: Public Service Commission Staff Review Comments

Application No. 2026S-2781

Montgomery, City of – Sewer System Improvements (Phase II)
Infrastructure Preliminary Application

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,

Brandon Crace

Brandon Crace
Engineering Division

Enclosures

**PUBLIC SERVICE COMMISSION STAFF
TECHNICAL REVIEW**

DATE: May 13, 2026

PROJECT SPONSOR: CITY OF MONTGOMERY – (SEWER)

PROJECT SUMMARY: The City of Montgomery is proposing to pursue Phase II of its Sanitary Sewer System Improvements, which includes upgrading its Wastewater Treatment Plant (WWTP).

PROPOSED FUNDING: Congressionally Directed Grant	\$2,640,000
CDS Match	\$ 660,000
IJDC Grant	\$1,000,000
CWSRF Principal Forgiveness Loan	\$2,000,000
CWSRF Loan (.25%, .25% A.F., 38 yrs.)	<u>\$5,000,000</u>
Total	<u>\$11,300,000</u>

CURRENT RATES: \$62.25 3,400 gallons
\$73.24 4,000 gallons

PROPOSED RATES: \$65.38 3,400 gallons
\$76.92 4,000 gallons

Application No. 2026S-2781

RECOMMENDATION: Forward to the Funding Committee
 Forward to the Consolidation Committee
 Return to the Applicant

FINANCIAL: Stephen Edens

1. Current rates (\$62.25 for 3,400 gallons) are above the rates attributable to 1.25% (\$28.17), 1.5% (\$33.81), 1.75% (\$39.44), and 2.0% (\$45.08) of the Median Household Income.
2. Using Scenario 1, the preferred funding package consisting of a Congressionally Directed Grant of \$2,640,000, \$660,000 CDS Match Grant, \$1,000,000 IJDC Grant, CWSRF Principal Forgiveness Loan of \$2,000,000, and a \$5,000,000 CWSRF Loan at .25%, .25 Admin. Fee, at 40 years (paid

back over 38 years), proposed rates (\$65.38 for 3,400 gallons) will provide a cash flow surplus of \$84,969 and debt service coverage of 174.26%.

3. Using the Scenario 2 alternate loan package of \$11,300,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed rates (\$105.83 for 3,400 gallons) will provide a cash flow surplus of \$7,477 and debt service coverage of 121.43%.

4. NOTES TO COMMENTS:

- A. Staff's detailed adjustments are listed on Attachment A for Scenario 1 (Preferred Funding Package) and Attachment B for Scenario 2 (Loan Package).
- B. The Going Level and Proforma adjustments included in the Applicant's Cash Flow Analyses for Scenarios 1 and 2 were used in Staff's Cash Flow Analyses, except as noted on Attachments A and B.
- C. Staff prepared the attached Cash Flow Analysis utilizing information from the Annual Report for the Fiscal Year Ended June 30, 2025, and the applicant's Cash Flow Exhibit submitted with the application.
- D. Staff notes the Applicant is requesting a waiver of Rule 42 Exhibit requirement.
- 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.
- F. Senate Bill 234 (2015) required, pursuant to WV Code 24-2-4b (b), that municipally operated utilities shall consider a reasonable plant-in-service depreciation expense for rates and charges. The project sponsor should take this into consideration when preparing its Rule 42. Municipals that do not provide for a reasonable depreciation expense risk delays in

Certificate of Convenience and Necessity filings if rates are determined to not be sufficient.

G. The City of Montgomery 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: Brandon Crace

1. Pursuant to House Bill 2742 passed in the 2025 Legislative Session, this project will not require a Certificate of Convenience and Necessity from the PSC.
2. Scope: The City of Montgomery is proposing to pursue Phase II of its Sanitary Sewer System Improvements, which includes upgrading its Wastewater Treatment Plant (WWTP). The project scope includes: mobilization, demobilization, project area videotaping, erosion and sediment controls, headworks enclosure, headworks screen, grit removal system, 2 clarifiers, sludge pumping equipment, sludge piping, miscellaneous metal (walkways, grating, etc.), 3 positive displacement blowers, 3 blower motors, diffusion equipment and piping, bank stabilization, 300 LF of sidewalk repair, oxidation ditch concrete repair, chlorine contact tank repair, 6 mixers, 500 CY of sludge removal from oxidation ditch, temporary bypass pumping, site electrical, emergency generator (ATS and concrete pad), chemical feed pumps, chemical storage equipment, chemical piping, office building renovation, equipment garage, pickup truck, equipped service truck (with tools and crane), a 2 Ton dump truck, skid steer loader, mini excavator (with trailer), and reclamation of disturbed areas. The estimated construction cost is \$9,000,000 (includes 15.29% construction contingency), and the estimated total project cost is \$11,300,000 (includes 3.14% project contingency).

Need: The PER states that some WWTP equipment (bar screen, grit removal unit, and the BOAT clarifier) has ceased to function and is being bypassed, and the grit channels are clogged with rags and other refuse. The PER indicates that concrete of the oxidation ditch and chlorine contact tanks is cracking, and the WWTP cannot meet the peak hydraulic requirements.

Customer Density: This project is an upgrade project; therefore, customer

density will remain unchanged.

Cost per Customer: Based upon the estimated total project cost is \$11,300,000, and having approximately 591 customers, the cost per customer will be approximately \$19,121. However, the cost per customer in terms of proposed borrowing is \$8,461, as the proposed funding is approximately 55.8% grant.

3. Project Alternatives: The PER did identify 3 Alternatives: Alternative No. 1 – Complete Facility Upgrade, Alternative No. 2 – Limited Facility Upgrade, and Alternative No. 3 – “Do Nothing”. The PER states that Alternative No. 1 was selected as it “...is the most implementable and effective alternative...” and “...will also provide Montgomery with the most reliable and resilient treatment system.”
4. Consolidation: There are no consolidation opportunities presented by this project.
5. Operation and Maintenance (O&M) Expenses: The PER *did not* include a detailed breakdown or discussion of anticipated changes to O&M expenses. The PER indicates that “Reducing the amount of I&I in the system may help decrease the O&M costs, therefore this project is expected to cause a negligible change in O&M costs.”; however,
6. Engineering Agreement: The application includes information to determine compliance with West Virginia Code §5G-1-1, et seq. Total technical services (engineering) costs for the project are \$1,555,000, which is equal to 17.28% of the construction cost of \$9,000,000 (includes 15.29% construction contingency).
7. Deficiencies/Comments:
 - The PER’s Cost Estimate is dated October 2025.
 - The PER states that “Reducing the amount of I&I in the system may help decrease the O&M costs, therefore this project is expected to cause a negligible change in O&M costs.”; however, the proposed project does not make improvements to the collection system. It could be assumed that this statement is a reference to the proposed Phase I Sewer System Improvements (IJDC No. 2023S-2424); however, this PER indicated that Phase I is under design, and did not indicate an anticipated bid date.
 - The PER states that a significant portion of the plant equipment is not operating correctly or has failed, and this project proposed additional

mechanical equipment, which may increase the power demand. The Project Team should carefully evaluate the proposed equipment versus in-operable equipment, and consider the additional equipment being proposed when estimating anticipated changes to O&M expenses.

CITY OF MONTGOMERY - SEWER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2025
APPLICATION NO. 2026S-2781
May 13, 2026

**PREFERRED FUNDING PACKAGE
SCENARIO 1**

	Cash Flow Going Level Per Application Before Project	Cash Flow Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
AVAILABLE CASH				
Operating Revenues	796,456	835,981	(56,736) (1)	779,245
Other Operating Revenue	17,179	17,179	-	17,179
SB 234 Annual Working Cash Collections			56,736 (2)	56,736
Interest Income & Other Misc.	30,954	30,954	-	30,954
Total Cash Available	844,589	884,114	-	884,114
OPERATING DEDUCTIONS				
Operating Expenses	447,416	453,887	50 (3)	453,937
Taxes	13,763	13,763	-	13,763
Total Cash Requirements Before Debt Service	461,179	467,650	50	467,700
Cash Available for Debt Service (A)	383,410	416,464	(50)	416,414
DEBT SERVICE REQUIREMENTS				
Principal & Interest (B)	100,872	232,343	6,621 (4)	238,964
Other Debt			-	-
Reserve Account @ 10%	2,025	15,172	662 (5)	15,834
Renewal & Replacement Fund (2.5%)	19,911	20,900	(989) (6)	19,911
Total Debt Service Requirement	122,808	268,415	6,294	274,709
SB 234 Cash Working Capital	55,927	56,736	-	56,736
Remaining Cash	204,675	91,313	(6,344)	84,969
Percent Coverage (A) / (B)	380.10%	179.25%		174.26%
Average rate for 3,400 gallons	\$ 62.25	\$ 65.38	\$ -	\$ 65.38
Average rate for 4,000 gallons	\$ 73.24	\$ 76.92	\$ -	\$ 76.92

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Revenues	Per Staff Analysis	779,245	(56,736)
	Per Application with Project	835,981	
Adjust revenues in accordance with PSC General Order 183.11.			
(2) SB 234 Annual Working Cash Collections	Per Staff Analysis	56,736	56,736
	Per Application with Project	-	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3) Operating Expenses	Per Staff Analysis	453,937	50
	Per Application with Project	453,887	
Staff's calculation included a difference in an Administrative Fee associated with a loan.			
(4) Principal & Interest	Per Staff Analysis	238,964	6,621
	Per Application with Project	232,343	
The difference in P&I is related to Staff's calculation of a loan of \$5,000,000 for 40 years (paid back over 38 years) at .25%.			
(5) Reserve Account @ 10%	Per Staff Analysis	15,834	662
	Per Application with Project	15,172	
Staff assumed a 10% reserve on the new debt.			
(6) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	19,911	(989)
	Per Application with Project	20,900	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

CITY OF MONTGOMERY - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2025
 APPLICATION NO. 2026S-2781
 May 13, 2026

**LOAN PACKAGE
 SCENARIO 2**

	Max Rate Going Level Per Application Before Project	Max Rate Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
AVAILABLE CASH				
Operating Revenues	796,456	1,349,007	(55,927) (1)	1,293,080
Other Operating Revenue	17,179	17,179	-	17,179
SB 234 Annual Working Cash Collections			55,927 (2)	55,927
Interest Income & Other Misc.	30,954	30,954	-	30,954
Total Cash Available	844,589	1,397,140	-	1,397,140
OPERATING DEDUCTIONS				
Operating Expenses	447,416	447,416	-	447,416
Taxes	13,763	13,763	-	13,763
Total Cash Requirements Before Debt Service	461,179	461,179	-	461,179
Cash Available for Debt Service (A)	383,410	935,961	-	935,961
DEBT SERVICE REQUIREMENTS				
Principal & Interest (B)	100,872	765,703	5,081 (3)	770,784
Other Debt			-	-
Reserve Account @ 10%	2,025	68,508	508 (4)	69,016
Renewal & Replacement Fund (2.5%)	19,911	33,725	(969) (5)	32,756
Total Debt Service Requirement	122,808	867,936	4,620	872,556
SB 234 Cash Working Capital	55,927	55,927	-	55,927
Remaining Cash	204,675	12,098	(4,620)	7,477
Percent Coverage (A) / (B)	380.10%	122.24%		121.43%
Average rate for 3,400 gallons	\$ 62.25	\$ 105.83	\$ -	\$ 105.83
Average rate for 4,000 gallons	\$ 73.24	\$ 124.51	\$ -	\$ 124.51

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	1,293,080	(55,927)
		Per Application with Project	1,349,007	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	55,927	55,927
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	Principal & Interest	Per Staff Analysis	770,784	5,081
		Per Application with Project	765,703	
	The difference in P&I is related to Staff's calculation of a loan of \$11,300,000 for 40 years (paid back over 38 years) at 5%.			
(4)	Reserve Account @ 10%	Per Staff Analysis	69,016	508
		Per Application with Project	68,508	
	Staff assumed a 10% reserve on the new debt.			
(5)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	32,756	(969)
		Per Application with Project	33,725	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			