

## **Answers to questions presented to Jefferson Utilities, Inc. (JUI) by Commissioner Josh Compton**

It is apparent, Commissioner Compton, that you need to be provided with information as to how Jefferson Utilities has grown to serve almost 3,000 customers over the last 21 years. Let me give you a short review.

In 1997, Jefferson Utilities (JUI) acquired the Walnut Grove water system which had been operated under a PSC receivership by the Walnut Grove HOA. For the previous 3 years, (1994 to 1997) Snyder Environmental Services had contracted the water system operation for the Walnut Grove/Security Hills HOA. Over the next year, JUI constructed a 500,000 gallon water tank, installed new high service pumps and added an additional well and thereby obtained a lifting of the moratorium on new service connections to the Walnut Grove system. JUI's management of the Walnut Grove water system turned a failed utility into a much improved, growing, and well managed water utility meeting the needs of its customers.

Over the next two years, JUI planned and constructed service extensions from Walnut Grove for three developments, Briar Run, Breckenridge and Cambridge Mobile Home Park.

Over the next decade, JUI started the Meadow Brook water system and acquired the three Mountain water systems serving Keyes Ferry Acres, Harpers Ferry Campsites and Westridge Hills, each of which were under moratoriums on new service connections. JUI designed and constructed a water plant for the three Mountain Communities. JUI's efforts eventually resulted in JUI's obtaining a State Health Department Engineering Design Grant of \$200,000 to design a three pressure zone distribution system to serve all of the three Mountain Communities. As a result of JUI's progress, the moratoriums on new connections were conditionally lifted on connections for new homes. Also, 18 fire hydrants have been installed throughout the Mountain Communities.

In 1998, JUI also won the competition to acquire the Burr/Bardane water system in a direct structured competition between JUI, the City of Charles Town and the Jefferson County Public Service District. Subsequently, JUI worked with the Jefferson County Development Authority to extend service to Phase II of the Burr Park.

JUI acquired the existing Shenandoah Junction System which added to its customer base. That system had been constructed over many years by my family starting in 1964 to meet the public water needs of the old Shenandoah Junction community which was platted in 1891.

JUI has been able to do many developer extensions as Alternate Mainline Extension Agreements, which saves money for the rate payers. Those extensions included the

subdivisions of Sheridan, Shenandoah Springs, Potomac Marketplace, Ranson Gateway, Gap View, Fairfax Crossing, President's Point and Tackley Mill. Plus, developers paid extension to extend service to the Harpers Ferry Job Corp., the US Customs National Fire Arms Training Facility at Harpers Ferry and the Old Standard Property.

One of JUI's comprehensive goals has been to engineer and construct an adequate network of transmission mains to interconnect all of JUI's once separate systems. JUI has now obtained this goal in constructing a transmission system of 12" and 16" mains that stretch from Bardane to Harpers Ferry. This provides better reliability and efficiency.

So, you ask for an "1.) explanation of how JUI came to provide water service to Rockwool vs not using Charles Town Utility"

The reasons are multiple. However, here are a few reasons:

- JUI is the only practical solution to the water needs of Rockwool due to our proximity of our lines to the site.
- The Rockwool plant is in JUI's service area and JUI is obligated to supply service.
- JUI's 21 year history of supplying ever-improving water service to all of our water service area.

Although the choice of utilities is regulated by the PSC, you may be interested in knowing the following:

- JUI's tail block rate for most of the water purchased by a large user like Rockwool is \$.93 per thousand less than Charles Town's rate for their tail block consumption.
- JUI does not have a capital capacity fee as does Charles Town, making JUI the most economical choice for any type of development.

Next you ask for "2.) Clarification of Rockwool water usage and how it will affect the county water table"

Jefferson Utilities has ample water source capacity to serve Rockwool as well as our growing residential water customer base. The USGS estimates the ground water recharge rate for Jefferson County's carbonate (limestone) aquifer to be 90.7 million gallons per day as per USGS study of the Potomac River Basin in West Virginia (HOBBA and Others 1976.) This is stated in the 2004 Jefferson County Comprehensive Plan. Accordingly, JUI's water service to Rockwool will have no effect on the county's water table.

Your next question was to provide an "3.) Explanation of how the water infrastructure for Rockwool is being paid and how it is being paid back and to whom"

Under the financing structure for the financing of public utilities in West Virginia, a portion of the bonding capacity of the Infrastructure and Jobs Development Council

(IJDC), is dedicated to business development projects. Accordingly, the State Development Office is directing funding for extension of water and sewer lines and a short road extension to serve the Rockwool site. The estimate cost of the water line extension is \$4,850,000. Construction of the water line extension will be funded by the Jefferson County Development Authority ("JCDA") through a \$4,520,000 loan from the West Virginia Infrastructure and Jobs Development Council for a term of 40 years at no more than 1.0% interest, and JUI will provide up to an aggregate maximum of \$330,000 for all engineering, design, permits, and rights-of-way and easements for the water line extension, including all required water meters and telemetry. JUI has funded its \$330,000 contribution from cash flow and does not plan to borrow funds or increase its existing rates and charges. JUI will operate and maintain the water line extension and pay a monthly use fee to JCDA in the amount of \$2.88 per 1,000 gallons for water sold to all customers JUI serves on the Jefferson Orchards site, specifically including, but not limited to, the Rockwool facility.

Next, you ask, "4.) What is the net effect of the Rockwool infrastructure as it relates to the book value of JUI once it is entirely installed/paid for"

JUI's book value will increase by the amount JUI invests in the water line extension up to an aggregate maximum amount of JUI's investment which is scheduled to be in the amount of \$330,000.

Your next question is, 5. "Does JUI have any long term plans to move to forced water hookups of county residents to its water system as a result of the Rockwool water line being installed"

Absolutely not, West Virginia law does not allow a water utility to force potential customers to take water service. Thus, JUI has no ability or plans to force potential customers along the water line extension to take water service. All customers added to JUI's system have been and will be based on a request for service initiated by the customers.