

**WEST CORNWALL TOWNSHIP MUNICIPAL AUTHORITY
MINE ROAD PUBLIC SEWER PROJECT
H2O GRANT APPLICATION
EXHIBIT 2**

The estimated cost of West Cornwall Township Municipal Authority (WCTMA) Mine Road Sewer Project (the Project) is \$2,404,650. A detailed cost breakdown with O&M costs and financing evaluation is included on the following pages in this Section of the application. A total of 62 EDUs will be served by the project. The cost per EDU is \$38,785. This is an extremely high cost per EDU, leading to annual sewer rates being estimated at more than \$2,300 per EDU when using conventional bank financing (30 years, 4%). This has resulted in the Project being financially infeasible to implement.

The construction costs of the project include approximately 11,000 feet of interceptor sewer (6,000 of gravity pipe and 5,000 feet of force main pipe) needed to send the sewage to existing sewer lines located far from the Project area. The need for this interceptor sewer and its associated cost of approximately \$750,000 and is the primary reason why the Project has been financially infeasible.

Evaluation of alternatives and cost effectiveness studies were performed by WCTMA in the 1992 and 2003 Act 537 studies.

- WCTMA considered the “no structural alternative” which was dismissed due to the septic problems and poor soils in the project area.
- WCTMA considered connecting Mine Road sewers to the nearby Mt. Gretna Borough sewage treatment plant, but this alternative was dismissed because Mt. Gretna does not have enough available capacity.
- WCTMA considered connecting Mine Road sewers to the nearby Philhaven hospital sewage treatment plant, but this alternative was dismissed because Philhaven does not have enough available capacity.
- Once it was determined that connection to existing WCTMA sewers located 11,000 feet to the east was the only viable alternative, the WCTMA considered a low pressure sewer system. However, the residents in the Project area submitted a petition to the WCTMA which indicated that the residents did not want low pressure sewer service. This resulted in WCTMA’s decision to construct a central pumping station which would be owned and operated by the WCTMA.

The Pro-Forma Evaluation on the following pages show construction costs, associated project costs, O&M costs, and financial evaluations based upon an assumption the \$1,603,000 H2O grant will be awarded to WCTMA. Assuming a \$2,000 tapping fee and a target sewer rate of \$900 per year, the project would be financially feasible if a 30 year, 1% interest Pennvest loan is also awarded to WCTMA. If conventional bank financing is necessary, then the annual sewer rate will need to be increased to more than \$1,100 per year. Without an H2O grant, the Project is not affordable and cannot be implemented.