

# 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



March 12, 2026

Katheryn Emery, P.E., Program Manager  
CWSRF & DWTRF, Division of Water and Waste Management, WVDEP

Re: Public Service Commission Staff Review Comments  
Application No. 2024S-2500  
Northern Wayne County PSD – Collection System Improvements  
Revised 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:** March 12, 2026

**PROJECT SPONSOR:** NORTHERN WAYNE COUNTY PUBLIC SERVICE DISTRICT – (SEWER)

**PROJECT SUMMARY:** The Northern Wayne County PSD is proposing to split the previously approved scope of work (Phase I) into 2 Phases (Phase I-A and I-B). The Phase I-A project scope prioritizes the replacement of a deteriorating 16-inch DIP forcemain.

<b>PROPOSED FUNDING:</b> CWSRF Loan (.25%, .25% AF, 40 yrs.)	\$7,830,000
CWSRF Principal Forgiveness Loan	2,000,000
IJDC Grant	1,000,000
Wayne County Commission Grant	<u>70,000</u>
Total	\$10,900,000

<b>CURRENT RATES:</b>	\$72.42	3,400 gallons
	\$85.20	4,000 gallons

<b>PROPOSED RATES:</b>	\$ 89.90	3,400 gallons
	\$105.76	4,000 gallons

Application No. 2024S-2500

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

**FINANCIAL:** William Nelson

1. Current rates (\$72.42 for 3,400 gallons) are above the rates attributable to 1.25% (\$45.53), 1.5% (\$54.64), and 1.75% (\$63.74), of the Median Household Income (MHI), but below the rates attributable to 2% (\$72.85) of the MHI. Increasing current rates to 2.0% of the MHI would provide additional revenues of \$17,611.

2. Using Scenario 1, the preferred funding package consisting of a CWSRF Loan of \$7,830,000 at .25%, .25% Admin. Fee, for 40 years (paid back over 38 years), a CWSRF Principal Forgiveness Loan of \$2,000,000, an IJDC Grant of \$1,000,000 and a Wayne County Commission Grant of \$70,000, proposed rates (\$89.90 for 3,400 gallons) will provide a cash flow surplus of \$220,432 and debt service coverage of 213.98%. NOTE: The "Per Staff Analysis" column on the Scenario 1 cash flow reflects a Non-WRAP Loan analysis.
3. Using the Scenario 2 alternate loan package of \$10,830,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), and committed funds consisting of a Wayne County Commission Grant of \$70,000, proposed rates (\$89.90 for 3,400 gallons) will provide a cash flow deficit of \$237,731 and debt service coverage of 130.19%. An additional 6.6% (for a total of \$95.83 for 3,400 gallons) increase in proposed rates would be required to provide a cash flow surplus of \$1,144 and debt service coverage of 152.98%.

#### 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. Staff prepared the attached Cash Flow Analysis utilizing information from the Annual Report for the Fiscal Year Ended June 30, 2025, and the applicants revised Rule 42 Exhibit submitted with the application.
- C. It should be noted that the Applicant's Cash Flow Analyses reflect Going Level rates of (\$72.42 for 3,400 gallons). These Step 4 rates were approved in Case No. 22-1076-PSD-19A and became effective as of January 1, 2026. Staff utilized these rates in its analyses.
- D. The project sponsor is proposing a CWSRF WRAP Loan in the amount of \$7,830,000 in its application. The impact of this WRAP Loan is reflected in the "Rule 42 Proforma Per Application with Project" column on the Scenario 1 cash flow.
- E. The project sponsor also listed a design loan, at Going Level, in the amount of \$1,800,000 at .25%, .25% AF, for 40 years (paid back over 38 years) in its application.

F. Staff also notes, the Applicant did not provide an updated Max Rate Cash Flow Analysis, therefore, Staff utilized the Preferred Cash Flow Analysis with proposed rates of (\$89.90 for 3,400 gallons) as the basis for the Max Rate analysis. Thus, the resulting revenue adjustment is somewhat significant as a result of this.

G. 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.

**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 Northern Wayne County PSD is proposing to split the previously approved scope of work (Phase I) into 2 Phases (Phase I-A and I-B). The Phase I-A project scope includes: mobilization/demobilization, videotaping project area, construction stakeout, WVDOH inspection fees, traffic control, erosion and sediment control, five (5) 16-inch valves pressure cleanout, 400 LF of 30-inch steel casing (bore-jack), 500 LF of 30-inch steel casing (open-cut), 10,000 LF of 16-inch DIP forcemain, an air release combo valve, an odor control system, 10,000 LF of WVDOH Type "A" Trench Repair, 10,000 LF of 2-inch HMA overlay, 10,000 LF of seeding and mulching, and all necessary appurtenances. The estimated construction cost is \$8,260,000 (includes 18.64% construction contingency), and the estimated total project cost is \$10,900,000.

Need: The Executive Summary indicates that pumping equipment is over 30 years old, replacement parts are scarce or no longer available, and equipment failures are increasing. The existing 16-inch DIP forcemain, delivering sewage to Huntington, is significantly deteriorating from the acidity of the sewage and needs to be replaced. Additionally, Hydrogen Sulfide gas is created in the closed system, which results in hazardous conditions at pump stations.

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 \$10,900,000, and having approximately 2852 customers, the cost per customer will be approximately \$3,822. However, the cost per customer in terms of proposed borrowing is \$2,745, as the proposed funding is 72% loan and 28% grant.

3. Project Feasibility: The project appears to be technically feasible and poses little technical risk.
4. Project Alternatives: The Executive Summary did not include an evaluation of alternatives. However, this document requests to split the previously approved Phase I Sewer Line Upgrade/Replacement Project, which was approved in July 2025. The revised project scope (Phase I-A) results in the prioritization of certain improvements and replacements.
5. Consolidation: There are no consolidation opportunities presented by this project.
6. Operation and Maintenance (O&M) Expenses: The Executive Summary did not include a discussion or breakdown of changes to O&M. However, a CPA Preparation Report and Rule 42 Exhibit was provided, which indicates an annual increase of \$240,000 in O&M expenses. It appears the increase in O&M expenses are attributed to purchased treatment, purchased power, materials, and increases in employees' salaries.
7. 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 \$2,340,000, which is equal to 30.08% of the construction cost of \$8,260,000 (includes 18.64% construction contingency). Total technical services include funding for Phase 1B and Phase 2; neither of these Phases have filed an Application at IJDC. Additionally, the \$70,000 IJDC PFA for the engineering study and report was not reflected in the filing, and is not included in the Total technical services or in the Total Project Cost.
8. Deficiencies/Comments:
  - The \$70,000 amount allocated to the Study and Report Phase is not included in the Total Project Cost.

- The provided Schedule B does not include the IJDC PFA Grant issued in 2024. It is understood that IJDC PFA Grant was not to exceed \$69,647, and is to be paid back as this project includes a Loan funding component. The \$70,000 IJDC PFA needs to be included in the project funding for repayment to IJDC, per IJDC policy.
- \$1,826,000 (73.5%) of the Total Technical Fees are not related to the proposed construction scope of work associated with the revised Application. This Application requests a total of \$2,485,000 in Engineering Fees: \$659,000 (Phase 1A), \$1,146,000 (Phase 1B), and \$680,000 (Phase II Design Fees). However, Phase 1B is not to be constructed with approval of this application. Additionally, Phase 1B Engineering Fees includes \$680,000 for Phase 2 Design Fees. Although the proposed scope of Phase 1B has been vaguely defined in this Application, the project does not have an approved project scope (IJDC Application), and Phase 2 does not have an approved project scope or IJDC Application filed.
- Construction contingency is 18.64%, which is above the typical filing percentage.

NORTHERN WAYNE COUNTY PSD - SEWER  
 CASH FLOW ANALYSIS  
 YEAR ENDED: June 30, 2025  
 APPLICATION NO: 2024S-2500  
 March 12, 2026

**PREFERRED FUNDING PACKAGE  
 SCENARIO 1**

	Rule 42 Going Level Per Application Before Project	Rule 42 Proforma Per Application with Project	Staff Adjustments	Per Staff Analysis
	1	2	3	4
	\$	\$	\$	\$
<b>AVAILABLE CASH</b>				
Operating Revenues	2,977,674	3,696,225	(292,954) (1)	3,403,271
Other Operating Revenue	74,200	74,200	-	74,200
SB 234 Annual Working Cash Collections	-	-	292,954 (2)	292,954
Interest Income & Other Misc.	40,173	40,173	-	40,173
<b>Total Cash Available</b>	<b>3,092,047</b>	<b>3,810,598</b>	<b>-</b>	<b>3,810,598</b>
<b>OPERATING DEDUCTIONS</b>				
Operating Expenses	1,954,093	2,368,576	248 (3)	2,368,824
Taxes	45,562	52,233	-	52,233
<b>Total Cash Requirements Before Debt Service</b>	<b>1,999,655</b>	<b>2,420,809</b>	<b>248</b>	<b>2,421,057</b>
Cash Available for Debt Service (A)	1,092,392	1,389,789	(248)	1,389,541
<b>DEBT SERVICE REQUIREMENTS</b>				
Principal & Interest (B)	433,115	462,661	186,706 (4)	649,367
Other Debt	113,260	113,260	-	113,260
Reserve Account @ 10%	4,966	56,048	(29,457) (5)	26,591
Renewal & Replacement Fund (2.5%)	77,301	95,265	(8,328) (6)	86,937
<b>Total Debt Service Requirement</b>	<b>628,642</b>	<b>727,234</b>	<b>148,922</b>	<b>876,155</b>
SB 234 Cash Working Capital	242,389	292,954	-	292,954
<b>Remaining Cash</b>	<b>221,361</b>	<b>369,601</b>	<b>(149,170)</b>	<b>220,432</b>
Percent Coverage (A) / (B)	252.22%	300.39%		213.98%
Average rate for 3,400 gallons	\$ 72.42	\$ 89.90	\$ -	\$ 89.90
Average rate for 4,000 gallons	\$ 85.20	\$ 105.76	\$ -	\$ 105.76

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	<b>Operating Revenues</b>	Per Staff Analysis	3,403,271	(292,954)
		Per Application with Project	3,696,225	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	<b>SB 234 Annual Working Cash Collections</b>	Per Staff Analysis	292,954	292,954
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	<b>Operating Expenses</b>	Per Staff Analysis	2,368,824	248
		Per Application with Project	2,368,576	
	Staff's calculation included a difference in the Administrative Fee associated with a \$7,830,000 CWSRF loan.			
(4)	<b>Principal &amp; Interest</b>	Per Staff Analysis	649,367	186,706
		Per Application with Project	462,661	
	The difference in P&I is related to Staff's calculation of a loan of \$7,830,000 for 38 years at .25%.			
(5)	<b>Reserve Account @ 10%</b>	Per Staff Analysis	26,591	(29,457)
		Per Application with Project	56,048	
	Staff assumed a 10% reserve on the new debt.			
(6)	<b>Renewal &amp; Replacement Fund (2.5%)</b>	Per Staff Analysis	86,937	(8,328)
		Per Application with Project	95,265	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

NORTHERN WAYNE COUNTY PSD - SEWER  
 CASH FLOW ANALYSIS  
 YEAR ENDED: June 30, 2025  
 APPLICATION NO: 2024S-2500  
 March 12, 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
	\$	\$	\$	\$
<b>AVAILABLE CASH</b>				
Operating Revenues	2,977,674	3,696,225	(47,954) (1)	3,648,271
Other Operating Revenue	74,200	74,200	-	74,200
SB 234 Annual Working Cash Collections	-	-	292,954 (2)	292,954
Interest Income & Other Misc.	40,173	40,173	-	40,173
<b>Total Cash Available</b>	<b>3,092,047</b>	<b>3,810,598</b>	<b>245,000</b>	<b>4,055,598</b>
<b>OPERATING DEDUCTIONS</b>				
Operating Expenses	1,954,093	2,368,576	(9,964) (3)	2,358,612
Taxes	45,562	52,233	-	52,233
<b>Total Cash Requirements Before Debt Service</b>	<b>1,999,655</b>	<b>2,420,809</b>	<b>(9,964)</b>	<b>2,410,845</b>
Cash Available for Debt Service (A)	1,092,392	1,389,789	254,964	1,644,753
<b>DEBT SERVICE REQUIREMENTS</b>				
Principal & Interest (B)	433,115	462,661	612,502 (4)	1,075,163
Other Debt	113,260	113,260	-	113,260
Reserve Account @ 10%	4,966	56,048	13,123 (5)	69,171
Renewal & Replacement Fund (2.5%)	77,301	95,265	(2,203) (6)	93,062
<b>Total Debt Service Requirement</b>	<b>628,642</b>	<b>727,234</b>	<b>623,422</b>	<b>1,350,656</b>
SB 234 Cash Working Capital	242,389	292,954	-	292,954
<b>Remaining Cash</b>	<b>221,361</b>	<b>369,601</b>	<b>(368,458)</b>	<b>1,144</b>
Percent Coverage (A) / (B)	252.22%	300.39%		152.98%
Average rate for 3,400 gallons	\$ 72.42	\$ 89.90	\$ 5.93	\$ 95.83
Average rate for 4,000 gallons	\$ 85.20	\$ 105.76	\$ 6.98	\$ 112.74

**Staff Adjustments**

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	<b>Operating Revenues</b>	<b>Per Staff Analysis</b>	<b>3,648,271</b>	<b>(47,954)</b>
		<b>Per Application with Project</b>	<b>3,696,225</b>	
	Adjust revenues in accordance with PSC General Order 183.11. In addition, Staff projected that an additional \$245,000 in revenues would be needed to achieve 115% debt service coverage and a positive cash flow surplus.			
(2)	<b>SB 234 Annual Working Cash Collections</b>	<b>Per Staff Analysis</b>	<b>292,954</b>	<b>292,954</b>
		<b>Per Application with Project</b>	<b>-</b>	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	<b>Operating Expenses</b>	<b>Per Staff Analysis</b>	<b>2,358,612</b>	<b>(9,964)</b>
		<b>Per Application with Project</b>	<b>2,368,576</b>	
	Staff's calculation removes the Administrative Fee for Scenario 2.			
(4)	<b>Principal &amp; Interest</b>	<b>Per Staff Analysis</b>	<b>1,075,163</b>	<b>612,502</b>
		<b>Per Application with Project</b>	<b>462,661</b>	
	The difference in P&I is related to Staff's calculation of a loan of \$10,830,000 for 40 years (paid back over 38 years) at 5%.			
(5)	<b>Reserve Account @ 10%</b>	<b>Per Staff Analysis</b>	<b>69,171</b>	<b>13,123</b>
		<b>Per Application with Project</b>	<b>56,048</b>	
	Staff assumed a 10% reserve on the new debt.			
(6)	<b>Renewal &amp; Replacement Fund (2.5%)</b>	<b>Per Staff Analysis</b>	<b>93,062</b>	<b>(2,203)</b>
		<b>Per Application with Project</b>	<b>95,265</b>	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			