

Public Service Commission of West Virginia

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June 9, 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-2766

Flatwoods-Canoe Run PSD – Sewer Extension (Route 19/Blue Bird)
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: June 9, 2026

PROJECT SPONSOR: FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT – (SEWER)

PROJECT SUMMARY: The Flatwoods Canoe Run Public Service District is proposing to extend sewer service to 1 existing commercial business and a proposed development area.

PROPOSED FUNDING: USED A Grant	\$4,134,000
WDA EE Grant	<u>1,055,000</u>
Total	\$5,189,000

CURRENT/PROPOSED

RATES:	\$55.83	3,400 gallons
	\$65.68	4,000 gallons

Application No. 2026S-2766

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

FINANCIAL: Bob Cadle

1. Current rates (\$55.83 for 3,400 gallons) are above the rates attributable to 1.25% (\$45.78) and 1.50% (\$54.93), and below 1.75% (\$64.09), and 2% (\$73.24) of the Median Household Income (MHI). Increasing current rates to 1.75% and 2.0% of the MHI would provide additional revenues of \$220,525, and \$465,056 respectively.
2. Using Scenario 1, the preferred funding package consisting of a USED A Grant of \$4,134,000 and a WDA Economic Enhancement Grant of \$1,055,000, proposed rates (\$55.83 for 3,400 gallons) will provide a cash flow deficit of \$12,990 and debt service coverage of 140.72%. An additional .9% (for a total of \$56.33 for 3,400 gallons) increase in proposed rates will be required in order to provide a cash flow surplus of \$173 and a debt service coverage of 144.17%.

3. Using the Scenario 2 alternate loan package of \$4,134,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), and committed funds consisting of a WDA Economic Enhancement Grant of \$1,055,000, proposed rates (\$69.02 for 3,400 gallons) will provide a cash flow surplus of \$66,143 and debt service coverage of 142.73%.

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 Applicant's Cash Flow Statement submitted with the application.
- C. Staff used the MHI for Braxton County's Southern District of \$43,945 as listed in the Applicants Combined Preliminary Application.
- D. Because proposed funding is based on all grant funding, the Applicant is requesting a waiver of the Rule 42 Exhibit requirement.
- E. Staff notes the Applicant's current tariff includes a Supplement No. 1 which was approved in Case No. 24-0759-PSD-42P, and became final on December 12, 2024. The rate increase is to become effective upon certification of substantial completion of the Project or upon commencement of the debt service associated therewith, whichever occurs first. The Supplement 1 rates will increase the Applicants revenues which would allay any cash shortfall shown in Staff's Scenario 1.
- F. 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 Flatwoods Canoe Run Public Service District is proposing to extend sewer service to 1 existing commercial business and a proposed development area. The proposed project scope includes: mobilization, demobilization, pre-construction video, 1 connection to existing manhole, 1 proposed manifold connection, 34500 LF of dual force main, 20 LF of 8-inch gravity sewer pipe, 65 forcemain cleanouts, 3 manholes, 2 lift stations, 1 EONE pump station, 12 forcemain air/vacuum release valves, 520 LF of directional bore, 220 LF of bore & jack (includes steel casing), 200 LF of WVDOT Type "B" Trench Repair, 700 LF of WVDOT Type "C" Trench Repair, 1475 tons of WVDOT 307-1 (shoulder stone), and necessary appurtenances. The estimated construction cost is \$4,411,000 (includes 8.07% construction contingency), and the estimated total project cost is \$5,189,000.

Need: The PER indicates that the proposed sewer extension is necessary to facilitate commercial development of a site along US Route 19, and currently there is no public sewer service available. Currently, the existing Blue Bird Bus Garage utilizes a private sewer system, and any future developments would require a private/individual sewer system (septic tanks, aeration units, or package treatment plants).

Customer Density: Based upon the provided sewer main pipe quantities (34500 LF), the proposed sewer line extends approximately 6.53 miles to serve 1 existing commercial business and provide sewer service to developable parcels of land. This is approximately equivalent to 0.15 customers per mile.

Cost per Customer: Based upon the estimated total project cost is \$5,189,000, and having approximately 1233 (1232 existing + 1 new) customers, the cost per customer will be approximately \$4,029. The PER indicates a total estimated construction cost of \$4,411,000 to extend sewer service to 1 existing commercial business. The cost per customer in terms of proposed borrowing is \$0, as the proposed funding is 100% grant.

3. Project Alternatives: The PER evaluated three (3) alternatives: Alternative #1 – No Action, Alternative #2 – Construct a Gravity Sewer Main to Package Plants Owned and Operated by FCRPSD, and Alternative #3 – Construct and Install a Sanitary Sewer Extension.
4. Consolidation: There are no consolidation opportunities presented by this project.
5. Operation and Maintenance (O&M) Expenses: The PER did include a detailed breakdown of O&M expenses and indicates an increase of \$12,013 annually due to increased pumping, treatment, collection, billing and collecting, and general expenses.
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 \$548,000, which is equal to 12.42% of the construction cost of \$4,411,000 (includes 8.07% construction contingency).
7. Deficiencies/Comments:
 - The PER indicates the \$407,450 (10%) construction contingency; however, the Application includes \$329,450 (8.07%) construction contingency, which is below the standard 10% and nearly half the recently acceptable 15%.
 - The Application indicates 2 new customers; however, the PER only identifies 1 existing commercial business (Blue Bird Bus Garage).
 - The PER identifies “future development” areas along the proposed alignment.
 - The proposed alignment passes unserved residential homes along Herold Road, and the project does not propose any new residential services.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2025
 APPLICATION NO: 2026S-2766
 June 9, 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
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	1,515,225	1,515,225	(111,003) (1)	1,404,222
Other Operating Revenue	42,706	42,706	-	42,706
SB 234 Annual Working Cash Collections		-	124,503 (2)	124,503
Interest Income & Other Misc.	31,657	31,657	-	31,657
Total Cash Available	1,589,588	1,589,588	13,500	1,603,088
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	984,010	996,024	-	996,024
Taxes	42,138	42,138	-	42,138
Total Cash Requirements Before Debt Service	1,026,148	1,038,162	-	1,038,162
Cash Available for Debt Service (A)	563,440	551,426	13,500	564,926
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	391,850	391,850	-	391,850
Other Debt	12,227	12,227	-	12,227
Reserve Account @ 10%	-	-	-	-
Renewal & Replacement Fund (2.5%)	39,740	39,740	(3,567) (3)	36,173
Total Debt Service Requirement	443,817	443,817	(3,567)	440,250
SB 234 Cash Working Capital	123,001	124,503	-	124,503
Remaining Cash	(3,378)	(16,894)	17,067	173
Percent Coverage (A) / (B)	143.79%	140.72%		144.17%
Average rate for 3,400 gallons	\$ 55.83	\$ 55.83	\$ 0.50	\$ 56.33
Average rate for 4,000 gallons	\$ 65.68	\$ 65.68	\$ 0.59	\$ 66.27

Staff Adjustments

<u>Adjustment Description</u>		\$	Increase <Decrease>
(1) Operating Revenues	Per Staff Analysis	1,404,222	(111,003)
	Per Application with Project	1,515,225	
Adjust revenues in accordance with PSC General Order 183.11. Staff also projected that an additional \$13,500 in revenues would be needed to achieve 115% debt service coverage and a positive cash flow surplus.			
(2) SB 234 Annual Working Cash Collections	Per Staff Analysis	124,503	124,503
	Per Application with Project	-	
Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3) Renewal & Replacement Fund (2.5%)	Per Staff Analysis	36,173	(3,567)
	Per Application with Project	39,740	
Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT - SEWER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2025
 APPLICATION NO: 2026S-2766
 June 9, 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	1,515,225	1,872,889	(124,503) (1)	1,748,386
Other Operating Revenue	42,706	42,706	-	42,706
SB 234 Annual Working Cash Collections		-	124,503 (2)	124,503
Interest Income & Other Misc.	31,657	31,657	-	31,657
Total Cash Available	1,589,588	1,947,252	-	1,947,252
OPERATING DEDUCTIONS				
Operating Expenses	984,010	996,024	-	996,024
Taxes	42,138	42,138	-	42,138
Total Cash Requirements Before Debt Service	1,026,148	1,038,162	-	1,038,162
Cash Available for Debt Service (A)	563,440	909,090	-	909,090
DEBT SERVICE REQUIREMENTS				
Principal & Interest (B)	391,850	692,104	(55,173) (3)	636,931
Other Debt	12,227	12,227	-	12,227
Reserve Account @ 10%	-	30,025	(5,517) (4)	24,508
Renewal & Replacement Fund (2.5%)	39,740	48,681	(3,904) (5)	44,777
Total Debt Service Requirement	443,817	783,037	(64,594)	718,443
SB 234 Cash Working Capital	123,001	124,503	-	124,503
Remaining Cash	(3,378)	1,550	64,594	66,143
Percent Coverage (A) / (B)	143.79%	131.35%		142.73%
Average rate for 3,400 gallons	\$ 55.83	\$ 69.02	\$ -	\$ 69.02
Average rate for 4,000 gallons	\$ 65.68	\$ 81.20	\$ -	\$ 81.20

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	1,748,386	(124,503)
		Per Application with Project	1,872,889	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	124,503	124,503
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	Principal & Interest	Per Staff Analysis	636,931	(55,173)
		Per Application with Project	692,104	
	The difference in P&I is related to Staff's calculation of a loan of \$4,134,000 for 40 years (paid over 38 years) at 5%.			
(4)	Reserve Account @ 10%	Per Staff Analysis	24,508	(5,517)
		Per Application with Project	30,025	
	Staff assumed a 10% reserve on the new debt.			
(5)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	44,777	(3,904)
		Per Application with Project	48,681	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			