

Public Service Commission of West Virginia

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June 15, 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. 2026W-2756
Summersville, City of – Water System Improvements
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 15, 2026

PROJECT SPONSOR: CITY OF SUMMERSVILLE - WATER

PROJECT SUMMARY: The City of Summersville is proposing to make improvements to its water distribution system.

PROPOSED FUNDING: IJDC Grant	\$ 500,000
DWTRF Principal Forgiveness	1,000,000
WDA EEG	1,000,000
DWTRF Loan (1.75%, .25% AF, 30 yrs.)	<u>2,500,000</u>
Total	\$ 5,000,000

CURRENT RATES:

Glade Creek Area	\$60.62	3,400 gallons
	\$71.32	4,000 gallons
Summersville Area	\$38.20	3,400 gallons
	\$42.98	4,000 gallons

PROPOSED RATES:

Glade Creek Area	\$67.46	3,400 gallons
	\$79.36	4,000 gallons
Summersville Area	\$42.50	3,400 gallons
	\$47.82	4,000 gallons

Application No. 2026W-2756

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

FINANCIAL: Bob Cadle

1. Current average rates (\$49.41 for 3,400 gallons) are above the rates attributable to 1.25% (\$45.09) of the Median Household Income (MHI), but below 1.50% (\$54.11), 1.75% (\$63.13), and 2% (\$72.15) of the MHI. Increasing current rates to 1.50%, 1.75% and 2.0% of the MHI would provide

additional revenues of \$188,712, \$550,898 and \$913,085 respectively.

2. Using Scenario 1, the preferred funding package consisting of an IJDC Grant of \$500,000, DWTRF Principal Forgiveness of \$1,000,000, WDA EEG of \$1,000,000, and a DWTRF Loan of \$2,500,000 at 1.75%, with a .25% Admin. Fee for 30 years, proposed average rates (\$54.98 for 3,400 gallons) will provide a cash flow surplus of \$76,335 and debt service coverage of 160.72%.
3. Using the Scenario 2 alternate loan package of \$5,000,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed average rates (\$61.05 for 3,400 gallons) will provide a cash flow surplus of \$89,450 and debt service coverage of 150.35%.

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 Rule 42 Exhibit submitted with the application, and the supplemental cash flows provided by the project sponsor's accountant.
- C. Staff used the MHI for the City of Summersville of \$43,287 from the 2020 U.S. Census versus the MHI of \$40,318 that was listed in the application.
- D. Staff notes the Applicant's cash flow analysis include going level rates of \$41.26 (3,400 gallons) for the Summersville Area and \$65.48 (3,400 gallons) for the Glade Creek Area. The cash flow analysis also includes proforma rates of \$42.50 (3,400 gallons) for the Summersville Area and \$67.46 (3,400 gallons) for the Glade Creek Area. As of this date no ordinance adopting these rates has been submitted to the Commission for Legal Division's review. Staff included these rates in its analyses.
- 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. The City of Summersville 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. Staff notes that the City is a political subdivision of the state and it has at least 4,500 customers and annual gross revenues of \$3 million or more. Therefore, in accordance with Senate Bill 234, effective June 12, 2015, the Commission has no jurisdiction regarding the City's rates pursuant to WV Code 24-2-4b. However, the Commission does have jurisdiction pursuant to WV Code 24-2-1 (b)(6) for the investigation and resolution of disputes involving political subdivisions of the state regarding inter-utility agreements, rates, fees and charges, service areas and contested utility combinations.

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 Summersville is proposing to make improvements to its water distribution system. The proposed project scope includes: mobilization, demobilization, pre-construction video, erosion and sediment control, new 157000-gallon water storage tank (with concrete foundation), valve vault upgrades, site piping, temporary storage tank, 12500 LF of 8-inch water main, 450 LF of 16-inch steel casing (bore & jack), 950 LF of 16-inch steel casing (open cut), 39 tie-ins to existing water lines, 11 cut and cap existing water lines, four (4) 2-inch hidden flushing hydrant assembly, 6 air release valves, 4 reinforced concrete anchors, 107 customer reconnections, twenty (20) 8-inch gate valves, demo 38 existing gate valves, 17 fire hydrant assemblies, demo 14 existing fire hydrants, 1075 LF of WVDOH Type "A-2" Trench Repair, 3500 LF of WVDOH Type "B" Trench Repair, 1575 LF of WVDOH Type "C" Trench Repair, 575 LF of concrete pavement repair, 225 LF of crushed stone trench repair, 2150 LF of asphalt pavement repair, 1475 LF of sidewalk repair, 1550 LF of concrete curbing, 1750 LF of 1.5-inch asphalt milling and overlay of asphalt, 8500 LF of restoration of disturbed areas, and necessary appurtenances. The estimated construction cost is

\$3,810,000 (includes 15.33% construction contingency), and the estimated total project cost is \$5,000,000 (includes 2.29% project contingency).

Need: The PER indicates that Summersville's existing transmission lines serving Gauley River PSD are undersized, and the Junior High Tank faces prolonged refill times when Gauley River PSD's demand exceeds ± 250 GPM. Additionally, the PER states that the Summersville water distribution system includes several undersized water lines that do not meet current hydraulic demands. Water mains along Main Street, Alderson Avenue, and Webster Road are identified as undersized and deteriorating. Furthermore, the Junior High Tank is described its condition as: beyond its useful life, aging, and in need of full replacement.

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 \$5,000,000, and having approximately 2883 customers, the cost per customer will be approximately \$1,735.

3. Project Feasibility: The project appears to be technically feasible and poses little technical risk.
4. Project Alternatives: The PER indicates that 5 Alternatives were considered: Alternative 1 – Overall Water System Improvements; Alternative 2 – Tank Link Water Line Replacement; Alternative 3 – Webster Road Water Line Replacement; Alternative 4 – Junior High Tank Replacement; and Alternative 5 – Do Nothing. The PER states that the City of Summersville has selected Alternative 1.
5. Consolidation: There are no consolidation opportunities presented by this project.
6. Operation and Maintenance (O&M) Expenses: The PER did not include a detailed breakdown or discussion of changes to O&M expenses. The PER did include the following statement: "There are no anticipated Operation and Maintenance (O&M) increases with this project with any of the alternatives."
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 \$870,000, which is equal to

22.83% of the construction cost of \$3,810,000 (includes 15.33% construction contingency).

8. Deficiencies/Comments:

- The PER states that “The proposed improvements will directly and primarily benefit Gauley River PSD.”, and “Because these benefits specifically impact Gauley River PSD’s service population, it is requested that their 3,400-gallon residential bill be used for determining project eligibility and developing an appropriate funding package.” However, the PER also indicates that the proposed scope of work replaces assets of the City of Summersville, not Gauley River PSD. Additionally, the PER describes the condition of the existing water mains, in the proposed project area, as “undersized”, tuberculated, unable to meet current demands, and “aging”. Also, the water storage tank is described as beyond its useful life. Therefore, the PER documents that The City of Summersville will directly benefit by replacing aging undersized water mains and its deteriorating Junior High Tank.

CITY OF SUMMERSVILLE - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2025
 APPLICATION NO: 2026W-2756
 June 15, 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
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	2,339,377	2,398,369	(192,966) (1)	2,205,403
Other Operating Revenue	40,071	40,071	-	40,071
SB 234 Annual Working Cash Collections		-	192,966 (2)	192,966
Interest Income & Other Misc.	41,894	41,894	-	41,894
Total Cash Available	2,421,342	2,480,334	-	2,480,334
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	1,543,729	1,546,910	86 (3)	1,546,996
Taxes	43,367	43,367	-	43,367
Total Cash Requirements Before Debt Service	1,587,096	1,590,277	86	1,590,363
Cash Available for Debt Servi (A)	834,246	890,057	(86)	889,972
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	445,927	608,577	(54,826) (4)	553,751
Other Debt			-	-
Reserve Account @ 10%	-	16,265	(5,483) (5)	10,782
Renewal & Replacement Fund (2.5%)	60,534	62,008	(5,871) (6)	56,137
Total Debt Service Requirement	506,461	686,850	(66,179)	620,671
SB 234 Cash Working Capital	192,966	192,966	-	192,966
Remaining Cash	134,819	10,241	66,094	76,335
Percent Coverage (A) / (B)	187.08%	146.25%		160.72%
Average rate for 3,400 gallons	\$ 53.37	\$ 54.98	\$ -	\$ 54.98
Average rate for 4,000 gallons	\$ 61.73	\$ 63.59	\$ -	\$ 63.59
<u>Glade Creek Area Rates</u>				
Rate for 3,400 gallons	\$ 65.48	\$ 67.46	\$ -	\$ 67.46
Rate for 4,000 gallons	\$ 77.04	\$ 79.36	\$ -	\$ 79.36
<u>Summersville Area Rates</u>				
Rate for 3,400 gallons	\$ 41.26	\$ 42.50	\$ -	\$ 42.50
Rate for 4,000 gallons	\$ 46.42	\$ 47.82	\$ -	\$ 47.82

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	2,205,403	(192,966)
		Per Application with Project	2,398,369	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	192,966	192,966
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	Operating Expenses	Per Staff Analysis	1,546,996	86
		Per Application with Project	1,546,910	
	To adjust the Administrative Fee based on Staff's calculation.			
(4)	Principal & Interest	Per Staff Analysis	553,751	(54,826)
		Per Application with Project	608,577	
	The difference in P&I is related to Staff's calculation of a loan of \$2,500,000 for 30 years at 1.75%.			
(5)	Reserve Account @ 10%	Per Staff Analysis	10,782	(5,483)
		Per Application with Project	16,265	
	Staff assumed a 10% reserve on the new debt.			
(6)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	56,137	(5,871)
		Per Application with Project	62,008	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

CITY OF SUMMERSVILLE - WATER
 CASH FLOW ANALYSIS
 YEAR ENDED: June 30, 2025
 APPLICATION NO: 2026W-2756
 June 15, 2026

**LOAN FUNDING 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
	\$	\$	\$	\$
<u>AVAILABLE CASH</u>				
Operating Revenues	2,339,377	2,621,246	(192,966) (1)	2,428,280
Other Operating Revenue	40,071	40,071	-	40,071
SB 234 Annual Working Cash Collections		-	192,966 (2)	192,966
Interest Income & Other Misc.	41,894	41,894	-	41,894
Total Cash Available	2,421,342	2,703,211	-	2,703,211
<u>OPERATING DEDUCTIONS</u>				
Operating Expenses	1,543,729	1,543,729	-	1,543,729
Taxes	43,367	43,367	-	43,367
Total Cash Requirements Before Debt Service	1,587,096	1,587,096	-	1,587,096
Cash Available for Debt Servi (A)	834,246	1,116,115	-	1,116,115
<u>DEBT SERVICE REQUIREMENTS</u>				
Principal & Interest (B)	445,927	735,245	7,103 (3)	742,348
Other Debt			-	-
Reserve Account @ 10%	-	7,225	22,417 (4)	29,642
Renewal & Replacement Fund (2.5%)	60,534	67,580	(5,871) (5)	61,709
Total Debt Service Requirement	506,461	810,050	23,649	833,699
SB 234 Cash Working Capital	192,966	192,966	-	192,966
Remaining Cash	134,819	113,099	(23,649)	89,450
Percent Coverage (A) / (B)	187.08%	151.80%		150.35%
Average rate for 3,400 gallons	\$ 53.37	\$ 61.05	\$ -	\$ 61.05
Average rate for 4,000 gallons	\$ 61.73	\$ 70.62	\$ -	\$ 70.62
<u>Glade Creek Area Rates</u>				
Rate for 3,400 gallons	\$ 65.48	\$ 74.91	\$ -	\$ 74.91
Rate for 4,000 gallons	\$ 77.04	\$ 88.13	\$ -	\$ 88.13
<u>Summersville Area Rates</u>				
Rate for 3,400 gallons	\$ 41.26	\$ 47.20	\$ -	\$ 47.20
Rate for 4,000 gallons	\$ 46.42	\$ 53.10	\$ -	\$ 53.10

Staff Adjustments

<u>Adjustment Description</u>			\$	Increase <Decrease>
(1)	Operating Revenues	Per Staff Analysis	2,428,280	(192,966)
		Per Application with Project	2,621,246	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	SB 234 Annual Working Cash Collections	Per Staff Analysis	192,966	192,966
		Per Application with Project	-	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	Principal & Interest	Per Staff Analysis	742,348	7,103
		Per Application with Project	735,245	
	The difference in P&I is related to Staff's calculation of a loan of \$5,000,000 for 40 years (paid over 38 years) at 5%.			
(4)	Reserve Account @ 10%	Per Staff Analysis	29,642	22,417
		Per Application with Project	7,225	
	Staff assumed a 10% reserve on the new debt.			
(5)	Renewal & Replacement Fund (2.5%)	Per Staff Analysis	61,709	(5,871)
		Per Application with Project	67,580	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			