west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street, SE
Charleston, WV 25304
Phone: 304-926-0495 / Fax: 304-926-0463

Harold D. Ward, Cabinet Secretary
dep.wv.gov

MEMORANDUM

To: Mark Sarver, Executive Director, Water Development Authority
Meredith J. Vance, Director, Environmental Engineering Division, BPH

From: Katheryn Emery, P.E., Program Manager
Sewer Technical Review Committee

Date: September 15, 2026

Subject: City of Spencer
IJDC Application - 2026W-2794
Water System Improvements 2026 Project

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1. This committee has reviewed the preliminary application and engineering report submitted for the above referenced project in accordance with Chapter 31, Article 15A. It has been determined that the proposed project is:

   a. √ Consistent with the intent of the Infrastructure and Jobs Development Act and is the most cost-effective, environmentally sound alternative for solving the water needs in this area.

   b. __ Not consistent with the Act and may not be the most cost effective, environmentally sound alternative for solving the wastewater needs in this area.

   c. __ Same as (a) above except that certain issues need to be addressed prior to design and construction as the attached comments indicate.

2. Our recommendation is that:

   a. √ The Funding Committee needs to review the proposed sources of funding to determine the best mix of grant and/or loan funds in accordance with applicable guidelines.

   b. __ The Funding Committee should recommend that the Council approve the proposed project and its funding plan.

c. ___ The Funding Committee does not need to review the funding assumptions on this project because of deficiencies in the engineering report. The proposed project should be tabled for the consultant to address technical comments.

d. ___ This project should be referred to the Consolidation Committee.

3. Other remarks:

This project consists of the replacement of lead-jointed distribution lines in the Schoolhouse and Hill and Alvord sections to remove potential lead exposure to customers.

The proposed cost for this project is $1,430,000. The City of Spencer will pursue a funding scenario of a $980,000 USACE Grant, and a $450,000 ARC Grant. The proposed monthly rate for 3,400 gallons is $37.49 (1.20% MHI).

<u>Preliminary Project Ratings:</u>

Public Health Benefits:	5
Compliance with Standards:	0

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Harold D. Ward, Cabinet Secretary
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MEMORANDUM

TO: Katheryn Emery, P.E., Program Manager, DWWM

FROM: Spencer Fultineer, DWWM

DATE: September 8, 2026

SUBJECT: City of Spencer
Water System Improvements 2026 Project
IJDC No. 2026W-2794

RECOMMENDATION

The IJDC application and Preliminary Engineering Report (PER) prepared by Boyles and Hildreth, Consulting Engineers for the above referenced project have been reviewed and are technically feasible.

PROJECT DESCRIPTION

The City of Spencer owns and operates a water treatment plant (WTP) and a distribution system under PWSID #3304405. This water system was purchased by the city in 1969 and constructed major improvements including a 1.5 Million Gallon per Day (MGD) water treatment plant, 2 water storage tanks, and a 500 million gallon raw water reservoir. This system also contains a 750,000 gallon finished water reservoir and three storage tanks. The City of Spencer serves approximately 2,125 customers with a total finished water quantity of 142.2 million gallons.

This project consists of the replacement of watermains within the planning area. This includes 8”, 6”, and 2” waterline with all necessary appurtenances.

The proposed cost for this project is $1,430,000. The City of Spencer will pursue a funding scenario of a $980,000 USACE Grant, and a $450,000 ARC Grant. The proposed monthly rate for 3,400 gallons is $37.49 (1.20% MHI).

NEED FOR PROJECT

The City of Spencer has sections of their water distribution system that were installed with lead-joint piping. Water systems are no longer permitted the use of lead components that come into contact with drinking water. This project will bring these sections of obsolete main up to date as well as offset decreasing capacity as a result of age with no interior pipe lining.

DEFICIENCIES/COMMENTS

- Using the Combined Application, the Design and Total Engineering Fees appear to be within the ASCE Design Fee Curve.
- This project addresses the replacement of main lines. However, if the City wishes to pursue the replacement of any customer service lines, service line replacements involving lead must include lines on the City and Customer sides. WVDEP can provide funding to assist in Lead Service Line replacements.
- A public meeting dedicated to the discussion of this project must be held.
- Construction contingency is only 5% for the project. This value should be at least 10%.

Preliminary Project Ratings:
Public Health Benefits 5
Compliance with Standards 0

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

September 4, 2026

Mark Sarver, Chair
Water Development Authority, 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-2794
Spencer, City of – Water System Improvements
(Schoolhouse Hill & Alvord Service Areas)
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:

__X__ 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:	September 4, 2026	
PROJECT SPONSOR:	**CITY OF SPENCER – (WATER)**	
PROJECT SUMMARY:	The City of Spencer is proposing to install new water mains in the Schoolhouse Hill and Alvord service areas of its existing water distribution system.	
PROPOSED FUNDING:	USACE Grant	$ 980,000
	ARC Grant	$ 450,000
	Total	$1,430,000

CURRENT/ PROPOSED RATES:	$37.49	3,400 gallons (weighted average)
	$43.97	4,000 gallons (weighted average)
Schedule I	$27.75	3,400 gallons
	$32.54	4,000 gallons
Schedule II	$30.67	3,400 gallons
	$36.00	4,000 gallons
Schedule III	$55.60	3,400 gallons
	$65.07	4,000 gallons
Schedule IV	$62.01	3,400 gallons
	$72.79	4,000 gallons

Application No. 2026W-2794

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

FINANCIAL: Stephen Edens

1. Current average rates ($37.49 for 3,400 gallons) are below the rates attributable to 1.25% ($39.21), 1.5% ($47.05), 1.75% ($54.89) and 2.0% ($62.73) of the Median Household Income (MHI). Increasing current rates to 1.25%, 1.5%, 1.75% and 2.0% of the MHI would provide additional revenues of $49,741, $276,869, $503,997 and $731,124, respectively.

2. Using Scenario 1, the preferred funding package consisting of an USACE Grant of $980,000, and an ARC Grant of $450,000, current/proposed average rates ($37.49 for 3,400 gallons) will provide a cash flow surplus of $60,150 and debt service coverage of 235.97%.

3. Using the Scenario 2 alternate loan package of $1,430,000 (in uncommitted funds) at 5% for 40 years (paid back over 38 years), proposed average rates ($40.19 for 3,400 gallons) will provide a cash flow surplus of $57,571 and debt service coverage of 190.02%.

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. The Going Level and Proforma adjustments included in the Applicant's Cash Flow Analyses for Scenarios 1 and 2 were used in Staff's Cash Flow Analyses, except as noted on Attachments A and B.

   C. 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.

   D. Staff notes the current/proposed average rate of $37.49 (weighted average) is a blended rate weighted by the number of users paying each rate. The Applicant has four separate rate schedules within its tariff. For comparison purposes, the non-weighted average rate of the four separate schedules is $44.01 (3,400 gallons). For purposes of this review, Staff has used the weighted average rates, as presented by the Applicant's accountant, in its analysis. Staff also notes the same weighted average rate was used in the Applicant's four prior IJDC Projects (2020W-1905, 2022W-2293, 2023W-2470 and 2024W-2523).

E. The Applicant had a 7.2% increase ($40.19) for its alternate proposed rate that was not listed on the Account Preliminary Application Form. Staff calculated its Cash flow Analysis for Scenario 2 using the Applicant's alternate proposed rate.

F. The Applicant has requested a waiver of the Rule 42 Exhibit requirement, as the project is 100% grant funded and will have no impact on rates.

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.

H. Senate Bill 234 (2015) required, pursuant to WV Code 24-2-4b (b), that municipally operated utilities shall consider a reasonable plant-in-service depreciation expense for rates and charges. The project sponsor should take this into consideration when preparing its Rule 42. Municipals that do not provide for a reasonable depreciation expense risk delays in Certificate of Convenience and Necessity filings if rates are determined to not be sufficient.

I. The City of Spencer 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. Calculations to support the revenue projections should also be provided.

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 Spencer is proposing to install new water mains in the Schoolhouse Hill and Alvord service areas of its existing water distribution system. The proposed project scope includes: mobilization, temporary erosion control, 20 LF of 8-inch DIP water main, 40 LF of 6-inch DIP water main, 800 LF of 8-inch PVC water main, 800 LF of 6-inch PVC water main, 780 LF of 2-inch PVC water main, 2440 LF of hydrostatic testing, 6 test stations, 60 CY of granular backfill, three (3) 8-inch gate valve and box, eight (8) 6-inch gate valve and box, a 4-inch gate valve and box, three (3) 2-inch gate valve and box, 1 hydrant assembly removal, 3 fire hydrant assembly replacements, 1 connection to existing 8-inch water main, 6 connections to existing 6-inch water main, 2 connections to existing 2-inch water main, 5 cut & cap existing 6-inch water main, 2 cut & cap existing 4-inch water main, 2 cut & cap existing 2-inch water main, twenty-eight (28) 3/4-inch water service connections, one (1) 1-inch water service connection, 150 LF of 3/4-inch Type K copper service line (open cut), 100 LF of 3/4-inch Type K copper service line (bore), 45 LF of Type K copper service line (open cut), 20 LF of Type K copper service line (bore), a 5/8x3/4 check meter setting, 40 LF of stone for pavement replacement, 775 SY of rigid or flexible pavement replacement, 30 Tons of stone replacement, 30 SY of concrete sidewalk replacement, and necessary appurtenances. The estimated construction cost is $1,000,000 (includes 5.36% construction contingency), and the estimated total project cost is $1,430,000 (includes 9.41% project contingency).

   Need: The PER indicates that portions of the existing water distribution system in the Schoolhouse Hill and Alvord service areas utilize lead-joint piping, and as a precaution, the City is proposing to replace known sections of lead-joint water mains. However, the PER does not indicate the known existence of or identify the extent of lead-joint water mains within the existing water distribution system. Therefore, the extent of lead-joint water mains within the water distribution system is not identified.

   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 $1,430,000, and having approximately 2125 customers, the cost per customer will be approximately $673. However, the cost per customer in terms of proposed borrowing is $0, as the proposed funding is 100% grant.

3. Project Alternatives: The PER did not include an evaluation or discussion of alternatives. However, a "Do-Nothing" approach would not address the existing deteriorating water mains, and would not improve water service within the proposed replacement areas.

4. Consolidation: There are no consolidation opportunities presented by this project.

5. Operation and Maintenance (O&M) Expenses: The PER did not include a detailed breakdown or discussion of anticipated changes to O&M expenses, but does state "No net change in the annual operation and maintenance cost is expected as a result of the project".

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 $220,000, which is equal to 22.0% of the construction cost of $1,430,000 (includes 5.36% construction contingency). *The 5G Documentation is from 2006.*

7. Deficiencies/Comments:
   - The PER does not indicate how the City identified these sections of lead-joint water mains.
   - The PER does not indicate the known existence of or identify the extent of lead-joint water mains within the existing water distribution system. Therefore, the extent of lead-joint water mains within the water distribution system is not identified.
   - The 5G Documentation is from 2006.
   - Construction contingency is identified as 5.36%, which is below the standard pre-bid 10% and below recent application proposals of 15%.

CITY OF SPENCER -WATER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2025
APPLICATION NO. 2026W-2794
September 4, 2026

PREFERED 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
		$	$	$		$
AVAILABLE CASH						
Operating Revenues		1,160,976	1,160,976	(112,212)	(1)	1,048,764
Other Operating Revenue		116,443	116,443	-		116,443
SB 234 Annual Working Cash Collections				112,212	(2)	112,212
Interest Income & Other Misc.		7,383	7,383	-		7,383
Total Cash Available		1,284,802	1,284,802	-		1,284,802
OPERATING DEDUCTIONS						
Operating Expenses		897,698	897,698	-		897,698
Taxes		37,426	37,426	-		37,426
Total Cash Requirements Before Debt Service		935,124	935,124	-		935,124
Cash Available for Debt Service	(A)	349,678	349,678	-		349,678
DEBT SERVICE REQUIREMENTS						
Principal & Interest	(B)	148,186	148,186	-		148,186
Other Debt				-		-
Reserve Account @ 10%				-		-
Renewal & Replacement Fund (2.5%)		31,935	31,935	(2,805)	(3)	29,130
Total Debt Service Requirement		180,121	180,121	(2,805)		177,316
SB 234 Cash Working Capital		112,212	112,212	-		112,212
Remaining Cash		57,345	57,345	2,805		60,150
Percent Coverage	(A) / (B)	235.97%	235.97%			235.97%
Average rate for 3,400 gallons		$ 37.49	$ 37.49	$ -		$ 37.49
Average rate for 4,000 gallons		$ 43.97	$ 43.97	$ -		$ 43.97
Schedule 1						
Rate for 3,400 gallons		$ 27.75	$ 27.75	$ -		$ 27.75
Rate for 4,000 gallons		$ 32.54	$ 32.54	$ -		$ 32.54
Schedule 2						
Rate for 3,400 gallons		$ 30.67	$ 30.67	$ -		$ 30.67
Rate for 4,000 gallons		$ 36.00	$ 36.00	$ -		$ 36.00
Schedule 3						
Rate for 3,400 gallons		$ 55.60	$ 55.60	$ -		$ 55.60
Rate for 4,000 gallons		$ 65.07	$ 65.07	$ -		$ 65.07
Schedule 4						
Rate for 3,400 gallons		$ 62.01	$ 62.01	$ -		$ 62.01
Rate for 4,000 gallons		$ 72.79	$ 72.79	$ -		$ 72.79

CITY OF SPENCER -WATER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2025
APPLICATION NO. 2026W-2794

Attachment A
PREFERED FUNDING PACKAGE
SCENARIO 1

Staff Adjustments

Adjustment Description			$	Increase <Decrease>
(1)	**Operating Revenues**	**Per Staff Analysis**	**1,048,764**	**(112,212)**
		Per Application with Project	**1,160,976**	

Adjust revenues in accordance with PSC General Order 183.11.

(2)	**SB 234 Annual Working Cash Collections**	**Per Staff Analysis**	**112,212**	**112,212**
		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**	**29,130**	**(2,805)**
		Per Application with Project	**31,935**	

Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.

CITY OF SPENCER - WATER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2025
APPLICATION NO. 2026W-2794
September 4, 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		1,160,976	1,253,976	(112,212)	(1)	1,141,764
Other Operating Revenue		116,443	116,443	-		116,443
SB 234 Annual Working Cash Collections				112,212	(2)	112,212
Interest Income & Other Misc.		7,383	7,383	-		7,383
Total Cash Available		1,284,802	1,377,802	-		1,377,802
OPERATING DEDUCTIONS						
Operating Expenses		897,698	897,698	-		897,698
Taxes		37,426	37,426	-		37,426
Total Cash Requirements Before Debt Service		935,124	935,124	-		935,124
Cash Available for Debt Service	(A)	349,678	442,678	-		442,678
DEBT SERVICE REQUIREMENTS						
Principal & Interest	(B)	148,186	230,931	2,031	(3)	232,962
Other Debt				-		-
Reserve Account @ 10%			8,275	203	(4)	8,478
Renewal & Replacement Fund (2.5%)		31,935	34,260	(2,805)	(5)	31,455
Total Debt Service Requirement		180,121	273,466	(571)		272,895
SB 234 Cash Working Capital		112,212	112,212	-		112,212
Remaining Cash		57,345	57,000	571		57,571
Percent Coverage	(A) / (B)	235.97%	191.69%			190.02%
Average rate for 3,400 gallons		$ 37.49	$ 40.19	$ -		$ 40.19
Average rate for 4,000 gallons		$ 43.97	$ 47.14	$ -		$ 47.14
Schedule 1						
Rate for 3,400 gallons		$ 27.75	$ 29.75	$ -		$ 29.75
Rate for 4,000 gallons		$ 32.54	$ 34.88	$ -		$ 34.88
Schedule 2						
Rate for 3,400 gallons		$ 30.67	$ 32.88	$ -		$ 32.88
Rate for 4,000 gallons		$ 36.00	$ 38.59	$ -		$ 38.59
Schedule 3						
Rate for 3,400 gallons		$ 55.60	$ 59.60	$ -		$ 59.60
Rate for 4,000 gallons		$ 65.07	$ 69.76	$ -		$ 69.76
Schedule 4						
Rate for 3,400 gallons		$ 62.01	$ 66.48	$ -		$ 66.48
Rate for 4,000 gallons		$ 72.79	$ 78.03	$ -		$ 78.03

CITY OF SPENCER - WATER
CASH FLOW ANALYSIS
YEAR ENDED: June 30, 2025
APPLICATION NO. 2026W-2794

Attachment B
LOAN PACKAGE
SCENARIO 2

Staff Adjustments

	Adjustment Description		$	Increase <Decrease>
(1)	**Operating Revenues**	**Per Staff Analysis**	**1,141,764**	**(112,212)**
		Per Application with Project	**1,253,976**	
	Adjust revenues in accordance with PSC General Order 183.11.			
(2)	**SB 234 Annual Working Cash Collections**	**Per Staff Analysis**	**112,212**	**112,212**
		Per Application with Project	**-**	
	Account for SB 234 (2015) funding pursuant to PSC General Order 183.11.			
(3)	**Principal & Interest**	**Per Staff Analysis**	**232,962**	**2,031**
		Per Application with Project	**230,931**	
	The difference in P&I is related to Staff's calculation of a loan of $1,430,000 for 40 years (paid back over 38 years) at 5%.			
(4)	**Reserve Account @ 10%**	**Per Staff Analysis**	**8,478**	**203**
		Per Application with Project	**8,275**	
	Staff assumed a 10% reserve on the new debt.			
(5)	**Renewal & Replacement Fund (2.5%)**	**Per Staff Analysis**	**31,455**	**(2,805)**
		Per Application with Project	**34,260**	
	Staff used 2.5% of the projection of "Operating & Other Revenues" as the basis of the renewal & replacement fund.			

west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street SE
Charleston, WV 25304-2345
Telephone Number: (304) 926-0495
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Harold D. Ward, Cabinet Secretary
www.dep.wv.gov

MEMORANDUM

MEMO TO: Meredith J. Vance
Office of Environmental Health Services
Bureau for Public Health

FROM: Brian D. Bailey BB
Technical Analyst
General Permits & Support Team

DATE: August 26, 2026

SUBJECT: Infrastructure Preliminary Application for the City of Spencer (2026W-2794): Downtown Water Replacement in Roane County, WV.

We have reviewed the above referenced project application information. The City of Spencer, discharges its backwash to its WWTP, which is covered under WV/NPDES Permit No. WV0020095, which expires March 19, 2029.

If the City of Spencer is considering repairing and painting an existing water treatment plant or storage tanks, then the scope of this project requires precautions to prevent contamination of the waters of the state. Prior to beginning any removal of old paint, the City of Spencer should contact Brad Wright or a member of his staff at (304)-926-0499, extension 49746 for guidance in determining whether the paint to be removed is considered a hazardous waste. If so, proper containment and disposal procedures must be followed for the paint and any material associated with the sandblasting. If it is determined that the paint is not hazardous, the City of Spencer should contact John Lockhart or a member of his staff at (304)-926-0499, extension 43889 for proper disposal options.

Construction activities with a disturbed area of one (1) acre or greater are now required to register for the NPDES Storm Water Construction General Permit No. WV0115924 that became effective on April 6, 2024. Projects registered under the previous General Permit No. WV0115100 were automatically provided coverage under WV/NPDES General Permit No. WV0115924. For more information, they may contact Larry Board at (304)-926-0499, extension 43883.

In light of the above, we have no objection to this project as long as the appropriate provisions are taken to assure compliance with Chapter 22, Article 11, of the Code of West Virginia and any associated regulations. The responsible party may contact Mylinda Maddox (304) 926-0499 ext. 43825, should additional information be required.

BDB:mam

cc: Katheryn Emery