

FRANKFORT PUBLIC SERVICE DISTRICT

RATE INCREASE REQUEST
TO THE MINERAL COUNTY COMMISSIONERS
DECEMBER 22, 2025

COMMUNICATION WITH RATE PAYERS (TRANSPARENCY)

- The District's Commissioners and contracted accountant have attended two public meetings, listening to and responding to over four hours of questions and comments.
- In late November, the District posted to its website the slides from this presentation detailing the use of funds from the rate increase and the rate impact (existing and proposed rates.)
- Rate payers were advised at the November 12 public meeting and information was posted to the District's website to direct rate payers to the District's filing of annual reports with the WV PSC. These reports contain balance sheets, income statements, statements of cash flows, and extensive financial and operating detail for the last 25 years.

COMMUNICATION WITH RATE PAYERS (TRANSPARENCY)

- At the meetings, the District addressed concerns over the outstanding loan balance as of June 30, 2025, of approximately \$33M. The information presented included:
 - It is standard practice for water and sewer districts and municipalities to utilize zero or low interest loans from the State of WV and the federal government to build and improve their water and sewer systems.
 - It would be unreasonable for these multi-million-dollar projects to be paid by rate payers through monthly bills. The District obtains grants to the extent available and utilizes State and Federal loans to fund the projects.
 - The historical acquisition cost of the District's fixed assets is ~\$74M, of which ~\$73M represents the water and sewer systems.
 - All loan proceeds were used to finance the District's fixed assets.
 - The District's most recent improvement projects occurred between 2015 to 2018 at a cost of ~\$30M. These improvements were necessary to maintain system reliability and represent the bulk of the outstanding loan balances. Proper customer notice was given before all these projects proceeded.
 - The weighted average interest rate of the outstanding indebtedness is less than 2/3rds of 1%.
 - The outstanding loan balances are considered appropriate considering the District's age and size.
 - It is inaccurate to say the State and Federal loans were obtained without customer notification, or that the District is in danger of bankruptcy because of the loans.

INFORMATION PROVIDED TO THE COUNTY COMMISSION (TRANSPARENCY)

- The Commissioners of the District instructed their contracted accountant to provide the customers elected officials, the Mineral County Commission, with all information requested. Information provided included:
 - Detail of the outstanding loans.
 - Five years compiled financial statements with note disclosures.
 - Quickbooks income statements for the last five years to provide greater detail.
 - Total number of employees and payroll for the last two years.
 - Detailed listing of amounts paid to significant contractors for the last five years.
 - Total number of water and sewer customers.
 - Analysis showing the number of customers in each usage grouping by thousand up to ten thousand, and the number of customers billed for more than 10,000 gallons for the 2025 fiscal year.

CURRENT STATUS AND LOOKING FORWARD

CURRENT STATUS AT JUNE 30, 2025:

- The current rate does not allow the District to pay all bills and deposit amounts in reserves as required by loan documents, WV Legislature Senate Bill 234 and West Virginia Public Service Commission Order 183.11. This is based on the prior year financial statements.

LOOKING FORWARD PAST JUNE 30, 2025:

- The District is experiencing an increase in annual service contracts.
- The District has operated 1 to 2 employees below optimal staffing for the last few years.
- Employees have not received a pay raise in three years.
- Health insurance premiums for employees are rising.

CASH WORKING CAPITAL RESERVE REPLACEMENT AND RENEWAL RESERVE

- An explanation of the reserve requirements was discussed with rate payers at the two public meetings.
- West Virginia passed legislation in 2014 mandating public service districts and municipalities establish a Cash Working Capital Reserve to have sufficient funds to cover ongoing capital expenditures. (Senate Bill 234)
- Over the years, the Public Service Commission has interpreted this legislation to it's current mandate that public service districts deposit 1/8th of their annual operating expenses to the fund each year. (WV PSC Public Order 183.11)
- By the terms of its loan documents, the District is required to deposit 2.5% of its operating revenues to a Replacement and Renewal reserve.
- As noted at the bottom of the next slide, Frankfort PSD anticipates many large expenditures to maintain system reliability in the next few years.

USE OF FUNDS FROM RATE INCREASE

| DESCRIPTION | USE OF FUNDS IN DOLLARS (ROUNDED) | | |
|--|-----------------------------------|-------------------|-------------------|
| | WATER | SEWER | TOTAL |
| Make all deposits required by the lending agreements and WV legislature. The District is not able to do that under the current rate and would be in violation of West Virginia PSC General Orders. See the table below this chart for probable use of these required reserves. | \$ 225,000 | \$ 126,000 | \$ 351,000 |
| Pay the annual increases on vendor contracts. | 72,000 | - | 72,000 |
| Add one new employee and promote one existing employee. The calculations includes wage, taxes, and benefits. | 56,000 | 21,000 | 77,000 |
| Raise for all employees - employees have not received a raise in three years. The calculation includes wage and taxes. Part of the funds planned for wage increases may be needed to pay an increased cost of health benefits. | 39,000 | 69,000 | 108,000 |
| TOTAL OF ABOVE INCREASES | \$ 392,000 | \$ 216,000 | \$ 608,000 |
| <hr/> | | | |
| CALCULATION - PERCENT OF RATE INCREASE | | | |
| Receipts from operations, year ended June 30, 2025 | \$ 4,063,000 | | |
| Increased receipts from the rate adjustment | \$ 608,000 | | |
| Rate of increase (20.3% Water and 10.15% Sewer) | 14.96% | | |
| <hr/> | | | |
| ESTIMATED COST - USE OF THE CASH WORKING CAPITAL RESERVE FOR NEAR-TERM MAINTENANCE | | | |
| Two work vehicles | \$ 90,000 | | |
| Two pumps @ \$60,000 each | \$ 120,000 | | |
| Ultra Violet system | \$ 35,000 | | |
| Tank rehabilitation | \$ 1,250,000 | | |
| SCADA system | \$ 500,000 | | |

RATE IMPACT

WATER- 5/8 INCH METER

Based upon the metered amount of water:

| | | Per 1,000 gallons | | |
|----------|-------------------------------|-------------------|----------|------------|
| | | EXISTING | PROPOSED | % INCREASE |
| First | 2,000 gallons used per month | 15.96 | 19.20 | 20.3% |
| Next | 4,000 gallons used per month | 12.56 | 15.11 | 20.3% |
| All Over | 6,000 gallons used per month | 9.05 | 10.89 | 20.3% |
| | Resale rate per 1,000 gallons | 8.54 | 10.27 | 20.3% |

SEWER - 5/8 INCH METER

Based upon the metered amount of water:

| | | Per 1,000 gallons | | |
|----------|-------------------------------|-------------------|----------|--------|
| | | EXISTING | PROPOSED | % |
| First | 2,000 gallons used per month | 21.25 | 23.41 | 10.16% |
| Next | 8,000 gallons used per month | 17.72 | 19.52 | 10.16% |
| All Over | 10,000 gallons used per month | 15.65 | 17.24 | 10.16% |
| | Resale rate per 1,000 gallons | 11.17 | 12.30 | 10.12% |
| | Flat rate charge | 77.94 | 85.85 | 10.15% |

MINIMUM BILLS

| | EXISTING | PROPOSED | % | \$ INCREASE | % INCREASE |
|--------------|--------------|--------------|--------|--------------|---------------|
| Water | 31.92 | 38.40 | 20.30% | 6.48 | |
| Sewer | 42.50 | 46.82 | 10.16% | 4.32 | |
| TOTAL | 74.42 | 85.22 | | 10.80 | 14.51% |

3400 Gallon Bill

| | EXISTING | PROPOSED | % | \$ INCREASE | % INCREASE |
|--------------|---------------|---------------|--------|--------------|---------------|
| Water | 49.50 | 59.55 | 20.30% | 10.05 | |
| Sewer | 67.31 | 74.15 | 10.16% | 6.84 | |
| TOTAL | 116.81 | 133.70 | | 16.89 | 14.46% |