

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 5th day of March 2026.

CASE NO. 25-0426-W-42T
WEST VIRGINIA-AMERICAN WATER COMPANY,
Rule 42T application to increase rates and charges.

CASE NO. 25-0428-S-42T
WEST VIRGINIA-AMERICAN WATER COMPANY,
Rule 42T application to increase rates and charges.

COMMISSION ORDER

The Commission issues this Clarifying and Corrective Order regarding its Order dated February 27, 2026, as discussed below.

BACKGROUND AND DISCUSSION

On February 27, 2026, the Commission entered an Order (February 27, 2026 Order) granting West Virginia-American Water Company (the Company or WVAWC) a \$25,663,000 increase (pre-allocation to equalize the water and wastewater percentage increases, or pre-allocation increase) in water rates. This increase included the previously approved Distribution System Improvement Charge (DSIC) surcharge, and DSIC-related rate base investment for its water operations in West Virginia. In addition, the Commission authorized an increase in wastewater revenue requirements to reflect the decisions made on contested issues and subject to an allocation adjustment to equalize the percentage increase for water and wastewater customers. The Commission directed WVAWC to calculate the wastewater revenue requirements based on the decisions made in the February 27, 2026 Order.

In the February 27, 2026 Order, the Commission noted that the capital structure components recommended by the parties were similar. WVAWC, Staff and the Consumer Advocate Division (CAD) recommended long-term debt of 46.2 percent, 47.6 percent, and 46.2 percent, respectively. Similarly, the parties recommended short-term debt of 3.0 percent, 1.65 percent, and 3.0 percent, respectively. Their respective recommended equity ratios were 50.8 percent, 50.75 percent, and 50.8 percent. The Commission has historically used a variety of techniques, along with its judgment and experience, to determine a reasonable

capital structure. The Commission is not bound to any actual capital structure at a point in time, averaged over a historical period, or limited by an actual test year or projected data. Rather, the Commission may review historic, projected, and hypothetical capital structures to arrive at a reasonable structure that fairly balances the interests of the customers and the utility, and produces the lowest reasonable overall revenue requirements while maintaining financial integrity.

Based on evidence presented and applying our judgment, we stated that the Commission would use a capital structure of 50.0 percent equity, 47.0 percent long term debt, and 3.0 percent short-term debt. That description contained two typographical errors. Moreover, we inadvertently omitted a table showing the cost rates used for the debt components and the overall rate of return. We correct the typographical errors and clarify the determination of an overall rate of return of 7.24 percent.

For purposes of determining the revenue requirements, we used a capital structure of 51.0 percent equity, 46.0 percent long term debt, and 3.0 percent short-term debt. The cost rates and determination of the overall rate of return are detailed in the following table.

Capital Structure Component	Rate of Return		
	Ratio	Cost Rate	Weighted Cost
Long Term Debt	46.00%	4.70%	2.16%
Short Term Debt	3.00%	2.60%	0.08%
Equity	51.00%	9.80%	5.00%
Total Capital Structure	100.00%		7.24%

We clarify the capital structure and modify Conclusion of Law No. 21 to read: “The Commission should adopt a capital structure that consists of 46 percent long-term debt, 3 percent short-term debt, and 51 percent equity at cost rates of 4.7 percent, 2.6 percent, and 9.8 percent, respectively.”

In the February 27, 2026 Order, the Commission approved the amortization of the cost of emergency assistance provided to Armstrong PSD during the 2024 Severe Storm Emergency, and Hurricane Helene. Staff proposed a ten-year amortization period, and the Company proposed a three-year amortization period. The Commission explained that a shorter amortization period required close monitoring to prevent over-recovery of a specific amount when amortization is included in base rates.

The Commission has several regulatory mechanisms that could protect against over-recovery and still provide full recovery of the specific cost element. Those include a separate base rate increment that is limited to a specified amortization period before it is removed from base rates, a separate rate increment with a specified duration, inclusion in the DSIC rates with annual true-ups, or a specified deferral mechanism that tracks the amounts paid by customers and requires a future Commission review of the deferred costs. We noted that in Case No. 23-0383-W-42T, we addressed a similar deferral and because the amortization would expire after three years and may fully recover the cost before the next base rate case, it would be allowed as a revenue requirement in the next DSIC rate.

Regarding the Armstrong-related deferral in this case we stated in the February 27, 2026 Order that we would not use the DSIC approach but instead would allow the three-year amortization with a condition that the amortization should be tracked so that it will end after the costs are fully amortized and any under-amortization would be made up in a future rate case. Any over-amortization would be recorded as a regulatory liability subject to future disposition by the Commission. We did not include the three-year amortization in the base rate revenue requirement calculation. We make that adjustment in this Order and include the three-year amortization in lieu of the Staff ten-year amortization in the approved revenue requirement. The tracking requirement continues to apply. The Company should address the amount recovered and the remaining balance, positive or negative, when it files its next base rate case.

In the February 27, 2026 Order, the Commission also addressed Staff proposed adjustments to Accumulated Deferred Income Taxes (ADIT). We are concerned that the adjustments and the Company's objections did not fully explain the issue in sufficient detail to allow us to make a final decision on the adjustments. The Company took issue with most of the adjustments on the assumption that Staff was attempting to remove Company adjustments that were never made by the Company. An objection to one of the adjustments appears to be based on the Company position that the related ADITs are protected pursuant to federal law and IRS Regulations and, therefore, should not be used as a rate base offset. The total rate base impact at issue for all the ADIT adjustments was approximately \$18.1 million.

Our review of the Staff adjustments and the Company rebuttal does not clearly disclose whether the rate base deductions proposed by Staff are an effort to reverse certain Company adjustments or are simply adjustments to the per books starting point used by the Staff. Moreover, we cannot identify the genesis and status of the claimed protected ADITs. The Commission is sensitive to the implications of an ADIT dispute and will reflect the Company numbers in the

revenue requirements pending future review and full explanation and justification by the Company and Staff.

We increase the rate base approved in the February, 27, 2026 Order to reflect the Company rebuttal position, subject to further review in the next base rate case. We direct the Company to identify and track the revenue requirements resulting from our inclusion in rate base of the \$18.1 million disputed ADITs. If a different adjustment that would have resulted in a lower rate base and lower revenue requirements is determined to be supported based on our review in a future case, the Commission may adjust revenue requirements at that time to reflect a different treatment of the disputed ADITs and to require prospective ratemaking treatment of any regulatory liability determined to be applicable.

In the February, 27, 2026 Order, the Commission determined that certain O&M adjustments relating to waste disposal and miscellaneous costs should not be excluded from the revenue requirements in this case. We did not include the adjustment necessary to restore the miscellaneous expense of approximately \$232,000. The revised revenue requirement provided for in this order is adjusted to include that expense item.

The Commission adopts a Revised Water Revenue Requirement that incorporates the adjustments listed herein. The Water pre-allocation revenue increase, net of forfeited discounts, is hereby established at \$28,176,000 which includes a rate base increase of \$18.1 million after removing Staff's ADIT adjustments subject to future review as discussed herein.

Wastewater Revenue Requirement

Regarding wastewater operations, the Commission approves a revenue increase based on the Company's Addendum 1 request, subject to the following modifications on contested issues specifically noted in the February 27, 2026 Order and this Order. The Nitro Acquisition Accounting is based on the Nitro acquisition recorded under the "gross method" as required by the Uniform System of Accounts.

The Commission determines that the wastewater pre-allocation revenue increase, net of forfeited discounts, is \$4,537,000, including the Nitro Acquisition at the proposed purchase price and subject to the accounting as discussed herein, including rate base inclusion and amortization of the Acquisition Adjustment that results from the purchase price in excess of the net original cost book value of the Nitro facilities.

We note that the Commission approved the Nitro acquisition by Order issued February 25, 2026.¹ That Order contained certain conditions that must be accepted by the City of Nitro, the Nitro Sanitary Board dba Nitro Regional Wastewater Authority, and the Company. The conditions required a modification to the Asset Purchase Agreement which must be filed for Commission review and approval. As of the dates of the February 27, 2026 Order and this Order, the required modified Asset Purchase Agreement had not been filed. Since the wastewater rate increase includes a significant component for the Nitro Acquisition, we will require the Company to identify the revenue requirement for the Nitro Acquisition included in rates and track its recovery of that revenue requirement from the date rates approved in this case go into effect until further order of the Commission. If there is a significant delay in the acquisition closing, or the conditions required by the Commission are not met, the amounts collected from customers before the acquisition, including the revenue requirements on the rate base increase due to the proposed acquisition, shall be treated as a regulatory liability subject to future review and disposition as directed by the Commission.

FINDINGS OF FACT

1. In the Commission's February 27, 2026 Order, a typographical error occurred in the description of the capital structure used to determine the approved revenue requirements.
2. The Commission inadvertently omitted a table showing the cost rates used for debt components and the overall rate of return.
3. The Commission inadvertently failed to include certain rate base adjustments and expense adjustments that the Order identified as appropriate and necessary adjustments.

CONCLUSIONS OF LAW

1. The Commission should correct and clarify the Order issued on February 27, 2026, as described herein.
2. Conclusion of Law No. 21 should be modified to read: "The Commission should adopt a capital structure that consists of 46 percent long-term debt, 3 percent short-term debt and 51 percent equity at cost rates of 4.7 percent, 2.6 percent, and 9.8 percent, respectively."

¹ See, West Virginia-American Water Company, the City of Nitro, and the Nitro Sanitary Board, Case No. 24-0904-W-S-PC.

3. Certain adjustments discussed in the February 27, 2026, Order but not incorporated into the revenue requirement calculation in that Order should be reflected by the Commission and incorporated into a new revenue requirement.

4. The Company should track the revenue requirement component of the rate base and expense adjustments identified herein for future Commission review.

ORDER

IT IS THEREFORE ORDERED that the Commission's Order of February 27, 2026, is corrected and clarified as described herein.

IT IS FURTHER ORDERED that Conclusion of Law No. 21 is modified to state: "The Commission should adopt a capital structure that consists of 46 percent long-term debt, 3 percent short-term debt and 51 percent equity at cost rates of 4.7 percent, 2.6 percent, and 9.8 percent, respectively."

IT IS FURTHER ORDERED that the pre-allocation water revenue increase requirement in the February 27, 2026 Order is modified to be \$28,176,000 as discussed herein.

IT IS FURTHER ORDERED that the pre-allocation wastewater revenue increase requirement is \$4,537,000 as discussed herein.

IT IS FURTHER ORDERED that the tracking of the specific revenue requirements embedded in base rates shall be maintained by the Company for future review and determinations by the Commission.

IT IS FURTHER ORDERED that the tariff calculations and all other aspects of the February 27, 2026 Order not modified herein remain in effect.

IT IS FURTHER ORDERED that upon entry of this Order, these cases shall be closed and removed from the Commission's docket of active cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this Order by electronic service on all parties of record who have filed an e-service agreement, and by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Commission Staff by hand delivery.

A True Copy, Teste,

A handwritten signature in cursive script that reads "Karen Buckley".

Karen Buckley, Executive Secretary

Public Service Commission of West Virginia

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March 5, 2026

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RE: Case No. 25-0426-W-42T
West Virginia-American Water Company

Case No. 25-0428-S-42T
West Virginia-American Water Company

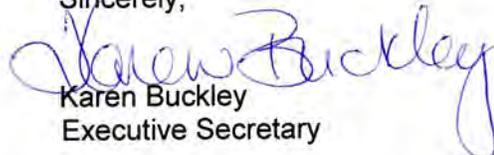
Dear Mr. Bailey:

Enclosed is a copy of a Commission Order issued today in the above-styled proceeding. **Please note all other parties have agreed to receive this order via electronic notification.**

Documents submitted to the Public Service Commission of West Virginia may be 1) uploaded to its public website, 2) subject to public disclosure under the West Virginia Freedom of Information Act, and/or 3) subject to disclosure under the West Virginia Open Governmental Proceedings Act. Do not submit personal information with your filings. The Commission is not responsible for confidential or personal information included with your submission. A list of personal information is available here:
http://www.psc.state.wv.us/Privacy_Policy/WhatisPII.htm

If you have provided an email address you will automatically receive notifications as documents are filed in this proceeding. The email notifications allow recipients to view a document within an hour from the time the filing is processed. If you have not provided your email address, please send an email to caseinfo@psc.state.wv.us and state the case number in the email subject field. **You are encouraged to file an Electronic Mail Agreement which allows the commission to serve all orders issued in this matter via electronic notification.**

Sincerely,


Karen Buckley
Executive Secretary

KB/al
Enc.