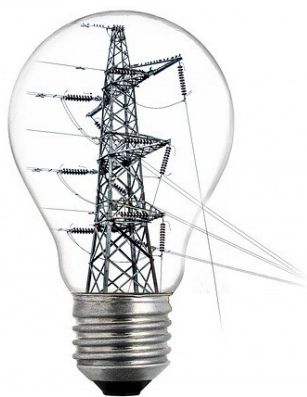


# Public Service Commission of West Virginia

## 2015 Management Summary Report

### and the Electric and Gas Utilities Supply-Demand Forecast Reports for 2016-2025

Governor Earl Ray Tomblin  
Submitted January 2016



Chairman Michael A. Albert  
Commissioner Brooks F. McCabe, Jr.  
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# Public Service Commission of West Virginia

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Michael A. Albert  
Chairman

January 13, 2016

To the Members of the 82<sup>nd</sup> Legislature,

It is our pleasure to submit the 2015 Management Summary Report and the 2016 – 2025 Electric and Gas Supply Forecast Reports for the Public Service Commission of West Virginia.

This report details how the Commission has met its mission of supporting and promoting a utility regulatory and transportation safety environment while balancing the interests of the citizens, the State and the regulated parties.

In 2015, the Commission faced interesting challenges and complex cases, including implementation of SB 234, major rate cases for the largest electric, gas and water utilities operating in West Virginia, implementation of SB 390 for new and replacement pipeline installations for gas utilities and the implementation of vegetation management programs for West Virginia electric utilities.

The Commission handles over 2,000 of these formal cases each year, many of which generate significant public attention. In addition, the Commission Staff processed nearly 10,000 informal cases in 2015, cases in which a utility problem is fixed, a payment plan arranged, utility service restored, a billing problem addressed or significant water or sewer service problems discovered and corrected. Ninety-eight percent of these Informal Cases were resolved without the case advancing to a formal case.

West Virginia continues to have among the lowest electric prices in the country according to the *Ultimate Consumers by End-Use Sector* published by the U.S. Energy Information Administration. As of December 24, 2015, West Virginia had the ninth lowest average price of electricity in the country.

The Commission continued to promote safety and consumer issues by promoting services such as 811-Call Before you Dig, encouraging the use of

budget billing plans for natural gas and electric utilities and various reduced utility services and payment support services.

The Commission's Gas Pipeline Safety Division co-hosted a joint seminar on Gas Pipeline Safety with the West Virginia Oil and Natural Gas Association. The seminar was attended by approximately 170 individuals and featured speakers from the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Division (PHMSA) and our own Gas Pipeline Safety experts.

The Commission continued to provide speakers to schools interested in teaching students about water conservation and provided a series of lesson plans to teachers of grades K-12 about water resources and conservation.

The Commission also continued its spirit of public service by undertaking a number of projects, including donating over \$1,150 worth of food and 100 coats to Mountain Mission and Covenant House, collecting funds for low income utility assistance through the Dollar Energy Fund and an in-house blood drive for the American Red Cross.

In 2016, the Commission anticipates the continuing efforts to meet the needs for electric generating capacity; evaluating and reacting to the EPA's Final Rules on carbon emissions; providing quality water and sewer service throughout the state; and providing enhanced safety and oversight of the transmission and distribution of natural gas.

We look forward to continuing to work with you to serve the citizens of West Virginia in 2016.

Respectfully submitted,

Michael A. Albert  
Brooks F. McCabe, Jr.  
Kara Cunningham Williams

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## **I. Roles and Responsibilities of the Public Service Commission of West Virginia**

The Public Service Commission of West Virginia (Commission) was established in 1913 by an Act of the State Legislature for the purpose of regulating railroads, toll bridges and ferries. Today, the Commission supervises, regulates and, where appropriate, investigates the rates, service, operations, acts and practices, affiliated transactions and other activities of West Virginia public utilities and many common and contract motor carriers of passengers and property within West Virginia.

The Commission is supported in its work by a current staff of 248 employees, including many professionals, such as lawyers, engineers, economists and accountants. The professional staff is supported by skilled specialists in the areas of investigation of utility practices, safety issues and transportation operations.

## **II. What the Public Service Commission Regulates**

1. Electric Utilities
2. Natural Gas Utilities
3. Telephone Utilities (land line services)
4. Private and Publicly Owned Water and Sewer Utilities (limited jurisdiction over rates of municipal water and sewer utilities)
5. Gas Pipeline Safety – Natural gas interstate transmission, regulated gathering and distribution pipelines, hazardous liquids intrastate transmission and regulated gathering, and on occasion acts as an Agent of the Federal Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA)
6. Solid Waste Carriers (intrastate)
7. Commercial Solid Waste Facilities (landfills)
8. Public Storm Water Service Districts
9. Certification of Independent Power Producer or Non-Utility Electric Generation facilities located in West Virginia. These facilities could include generation from any energy source, including wind, natural gas, landfill gas or other methane sources, solar, water, coal, renewable fuels and waste fuels
10. Allocation of Energy Intensive Industrial Consumers Revitalization Tax Credits
11. Some Motor Carrier Operations – including economic regulation of intrastate transportation of passengers (taxis and limousines), household goods movers, and towing services not arranged by the owner of a towed vehicle (third party tows)
12. Safety, weight and speed limit enforcement of all commercial motor vehicles (private fleet and common carrier vehicles) operating in the state, including motor carriers involved in interstate commerce, with emphasis on high accident areas
13. Regulating transportation of hazardous materials, including identification, registration and permitting of commercial motor vehicles transporting such materials in and through the state
14. Coal Resource Transportation System (CRTS)
15. Railroad Safety - Administration and enforcement of Federal and State Railroad Safety regulations governing transportation of persons and property by rail
16. Disbursement of E-911 funds to counties, including approval of recommendations from the Tower Assistance Fund Committee regarding use of E-911 funds for cell tower construction
17. Regulation of fees and charges for setting and care of veterans' grave markers

### **III. Meet the Commission**

#### **Chairman Michael A. Albert**



Michael A. Albert was appointed to the Commission in February 2007 to fill an unexpired term ending June 30, 2007. He was reappointed to two consecutive six-year terms expiring June 30, 2019. On July 1, 2007, he was appointed Chairman and continues to serve in that role. He previously served as a Manager and Member in the Business Law Department of Jackson Kelly, PLLC, in Charleston, West Virginia, focusing on public utilities and business and commercial transactions.

Chairman Albert currently serves as a member of the Board of Directors of the Kanawha County Public Library. He has served on the Board and as Chairman of the Board of Directors of the Library, the Education Alliance, Junior Achievement of Kanawha Valley and the National Institute for Chemical Studies.

Chairman Albert graduated from West Virginia University with a Bachelor of Science degree in Business Administration, majoring in Accounting. He achieved numerous academic and extracurricular awards, and upon graduating, he served as an officer in the United States Navy, including a tour of duty in Vietnam. Following an Honorable Discharge, he attended West Virginia University College of Law where he was the Editor in Chief of the *West Virginia Law Review* and received his Juris Doctor degree, with honors.

Chairman Albert is a Fellow of both the West Virginia Bar Foundation and the American Bar Foundation, served on the West Virginia State Bar Board of Governors and served as Chairman of the WVU Law School Visiting Committee. Originally from Wheeling, he currently resides in Charleston with his wife, Laura Lee. They have three children, Michael, Jason and Melissa, six grandsons and a granddaughter.

#### **Commissioner Brooks F. McCabe, Jr.**



Brooks F. McCabe, Jr. was appointed to the Commission in November 2014 to fill an unexpired term and was reappointed to a full term ending June 30, 2021. Prior to joining the Commission, he served as a Senator representing Kanawha County from 1998 – 2014, and served on the Finance, Economic Development, Pensions, Banking and Insurance, Labor, Natural Resources, and Transportation and Infrastructure Committees. He is also the

Managing Member and Broker of West Virginia Commercial, LLC and has been involved in commercial and investment real estate for more than 30 years.

Commissioner McCabe has served on the boards of the Charleston Renaissance Corporation, Chemical Alliance Zone, Charleston Area Medical Center, West Virginia State College Foundation, the University of Vermont, and the GOW School (from which he graduated), a private college preparatory school for dyslexic students in South Wales, New York.

Commissioner McCabe is a graduate of the University of Vermont where he earned a Bachelor of Science degree in Management Engineering and a Master of Education degree in Education Administration. He received his Doctor of Education degree from West Virginia University, with concentration in planning and community development. His professional designations include the American Institute of Certified Planners and the REALTORS® National Marketing Institute, in which he is a Certified Commercial Investment Member. He and his wife Barbie reside in Charleston and have one daughter, Katie and two grandchildren.

### **Commissioner Kara Cunningham Williams**



Kara Cunningham Williams was appointed to the Commission in October 2015 to fill an unexpired term ending June 30, 2017. She previously was a member of the law firm Steptoe & Johnson, PLLC where she practiced in the areas of complex and commercial litigation. She also has served as an adjunct lecturer at the West Virginia University College of Law.

Commissioner Williams is active in the community in both the Kanawha and Greenbrier Valleys. She currently serves on the Board of Directors of Carnegie Hall, Inc. in Lewisburg, and is a past President of the Board of Directors of the YWCA of Charleston. She is a member of the West Virginia State Bar's Committee on Unlawful Practice, and has served on boards or committees of a number of other organizations, including the American Inns of Court, the Washington & Lee University Alumni Association and the Center for Economic Options.

Commissioner Williams earned her Bachelor of Arts degree in French, *summa cum laude*, from Washington & Lee University. She earned her Juris Doctor degree, *cum laude*, from Harvard Law School. She and her husband, Fred, split their time between Lewisburg and Charleston. They have one son, Louie.



## **IV. Organization**

The Public Service Commission of West Virginia consists of 12 Divisions and the Consumer Advocate Division (CAD). The CAD is physically separate and financially independent from the Commission.

### **Commission**

The Commission regulates those persons, firms and governmental subdivisions that provide certain public services, including electricity, natural gas, water, sewer, telecommunications, solid waste disposal (landfills), gas pipeline safety and, to some extent, the transportation of persons and property for hire over the public highways of the state. Motor carriers regulated by the Commission include taxi service, specialized limousine service, solid waste, transportation service, third-party towing and household goods movers. In addition, the Commission sets statewide policies for utility regulation through rulemaking proceedings, investigates the acts and practices of regulated utilities, recommends statutory changes that affect utilities and the Commission, and sets the administrative policies for the agency.

The Office of the Commission includes the Commissioners and the Quality Assurance, Communications and Government Relations Divisions and support personnel.

## **Administrative Division**

The Administrative Division is comprised of the Budgets and Finance, Human Resources, Information Technology, Facilities Management and Training Sections.

The Budgets and Finance Section prepares Commission budgets; provides fiscal review and control; processes and monitors travel expenses, payables and receivables; oversees all procurement activities and ensures fixed assets are properly recorded and funded through assessment of public utilities or from grants and other programs. This Section is also responsible for managing the Commission's annually appropriated special revenue budget, federal funds, non-appropriated special revenue funds and the E-911 fees for the State of West Virginia.

The Human Resources Section oversees employee hiring and separations, administers employee benefit programs, state grievance procedures and other personnel-related activities. This Section also administers the personnel budget by processing payroll, tax and benefit transactions for Commission employees.

The Information Technology Section manages the Commission's technical assets. This includes overseeing the Commission's computer system and service desk needs in conjunction with the State Office of Technology by providing programming, database design, web design, training and support and other technical assistance.

The Facilities Management Section oversees the maintenance and upkeep of the Commission's buildings, parking garage, vehicles and physical properties.

The Training Section coordinates and provides education and skills training for Commission employees and for maintaining training records for the agency.

### **Administrative Division Top Accomplishments of 2015**

1. Completed the design build invitation, invitation for proposal, selection and contract processes for the PSC headquarters façade repair and replacement project.
2. Worked with the City of Charleston to improve safety issues in PSC parking lots and alleyways.
3. Developed Gas Pipeline Operator Portal, enabling company operators to upload information and documents to the Gas Pipeline Safety Division.
4. Coordinated mandatory Office of Technology Security training for all employees.
5. Implemented new registration system through the Commission's website for Water and Wastewater Seminars.
6. Staff continues to participate in training and User Acceptance Testing, as well as provide data staging for the HR and payroll pieces of wvOASIS in preparation for a future conversion date.

## **Administrative Law Judges Division**

The Administrative Law Judges (ALJ) Division consists primarily of attorneys and support staff who act in an adjudicatory role under the auspices of the Commission. The ALJs issue Recommended Decisions within time periods prescribed by the Commission or set by statute in cases referred to the ALJ Division by the Commission. A Recommended Decision becomes the Commission's Final Order in a case unless modified by the Commission, based on exceptions filed by one of the parties or Staff of the Commission or suspended on the Commission's statutory authority.

The ALJ Division works on a variety of cases involving public utilities, motor carriers, cable television and coal hauling on the Coal Resource Transportation System (CRTS). The ALJs hold hearings and provide Recommended Decisions in cases involving service or other complaints from consumers about utilities or motor carriers, rate change requests, applications for certificates of convenience and necessity to construct new or expand existing utility plants and petitions for prior consent and approval for numerous utility transactions regulated by the Commission.

The ALJ Division also administers the Commission's Billing Dispute mediation program. Throughout 2015, the Division had 32 cases in the mediation process: 23 cases were resolved between the parties, four cases failed to resolve and moved back into the litigation stream and one case settled without mediation. Four cases are still pending. This saved resources of the Commission and those parties willing to engage in mediation. These numbers do not include the more complex cases in 2015 that were the subject of mediation outside of the ALJ-administered mediation program.

### **Administrative Law Judges Division Top Accomplishments of 2015**

1. Issued 2,846 Orders, including Recommended Decisions, Procedural Orders, Coal Orders and Interim Relief Orders, setting a record for the most Orders issued in a year.
2. More than doubled participation in the Commission's Billing Dispute Mediation program.
3. Continued to reduce law library expenses by trimming and consolidating expenditures, including eliminating unnecessary subscriptions.

## **Engineering Division**

The Engineering Division provides technical recommendations in cases before the Commission relating to rate requests, quality of service or billing disputes, engineering agreements, alternate main line extensions, certificates of convenience and necessity, mergers and acquisitions of utilities, service territory disputes, general investigations of utility operations and other cases requiring engineering expertise.

Engineering Staff members also provide technical assistance to customers and utility companies, supervise and certify utility meter tests, conduct water pressure tests, investigate voltage levels and other electrical complaints, investigate water taste and odor problems, investigate odor and other problems for sewer, provide leak detection services and review utility construction estimates and undertake other technical tasks and studies as ordered by the Commission.

The Engineering Division also provides recommendations to the Commission and to the West Virginia Infrastructure & Jobs Development Council (WVIJDC) on the merits of proposed water and sewer projects, technical comments and assistance on proposed rules and regulations, information and assistance to governmental entities around the state and technical training for public service district board members and Staff. The Engineering Division also assists in the preparation of the annual *Gas and Electric Supply-Demand Forecast Reports* for the West Virginia Legislature.

### **Engineering Division Top Accomplishments of 2015**

1. Served on task forces concerning net metering, carbon capture and sequestration, vegetation management and service metrics in the electric industry.
2. Regularly wrote articles for *The Pipeline* newsletter and other publications and taught seminars to members of the water and sewer industry.
3. Investigated informal complaints and worked with parties to resolve disputes before they became formal complaints.
4. Engineer Jim Weimer received the Governor's Service Award in the Senior 60+ category.

## **Executive Secretary Division**

The Executive Secretary Division maintains a complete record of all proceedings, acts, orders and judgments of the Commission and assures that documents and pleadings in cases are available to the public in a timely fashion on the Commission website at [www.psc.state.wv.us](http://www.psc.state.wv.us). The Division receives, processes and maintains in safe custody all documents, maps and papers filed in formal cases on the Commission's docket, processes all orders and schedules statewide hearings for the Commission and the ALJ Division.

The Executive Secretary Division receives and maintains all statutory records required for the Commission, including annual reports from regulated utilities; reviews utility reports for accuracy and compliance; processes all Commission Freedom of Information Act requests; receives and processes all formal complaints filed with the Commission, either online or in person; issues all tariffs for rate cases; and, when necessary, issues subpoenas at the direction of the Commission.

In addition to all Commission Orders, the entire Web Docket of the Commission is available to any interested person, without cost, online. This database separately lists each case on the formal docket and contains PDF files of every non-confidential document filed in each case. Documents filed in formal cases can be accessed, reviewed and copied within one hour of being docketed, scanned and linked to the Commission's website. This docketing and scanning is accomplished throughout the day. The Executive Secretary Division also processes all electronic case subscriptions through the Commission website, allowing individuals to receive daily electronic notification of all activity, including Commission Orders, in any docketed case. The public hearing schedule and logistical information pertaining to docketed cases is also available online.

### **Executive Secretary Division Top Accomplishments of 2015**

1. Maintained the electronic Web Docket and made every non-confidential document in every case filed with the Commission available to the public on the Commission website.
2. Maintained and made available upon request the archived files for all Public Service Commission cases since 1913.
3. Coordinated logistics for all hearings for the Commission and the Administrative Law Judges throughout the state.
4. Managed, maintained and coordinated all FOIA requests for the Commission.

## **Gas Pipeline Safety Division**

The Gas Pipeline Safety Division (GPS), created as a separate division in 2013 to recognize the increasing responsibility and concern for pipeline safety, is responsible for the application, oversight and enforcement of pipeline safety regulations under Chapter 24B of the West Virginia Code and is certified annually under 49 USC §60105 by the U.S. Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA), Office of Pipeline Safety (OPS). The GPS Division oversees safety compliance with 49 CFR 191, 192 and 195 for intrastate natural gas and hazardous liquids transmission and regulated gathering pipelines and natural gas distribution pipelines. Also, on an as needed basis, the GPS may inspect interstate gas transmission pipelines as an agent for PHMSA. Any findings from these interstate inspections are forwarded to PHMSA, which determines the enforcement action to be taken.

All GPS inspectors are trained in the Federal pipeline regulations at the PHMSA Training Facility in Oklahoma City, Oklahoma. The required training must be successfully completed in three years and inspectors must meet minimum requirements prior to being allowed to inspect pipelines. Inspectors perform regularly scheduled (approximately every 18 – 24 months) inspections of all operators of intrastate natural gas and hazardous liquids transmission and regulated gathering pipelines and operators of natural gas distribution pipelines and master meter systems to determine compliance with Federal and State regulations.

In 2015, the GPS Division performed approximately 100 scheduled compliance inspections on a variety of pipeline topics. GPS may conduct additional inspections based on complaints from the public or as a follow-up to previous inspections. Inspectors may lead or assist with accident investigations to determine the cause of the accident and to evaluate adherence to the required regulations. Unsatisfactory inspections may result in a variety of enforcement actions that are available to the GPS Division to ensure compliance with the pipeline safety regulations.

Pipeline operators are required to meet specific reporting requirements for certain events that occur on their pipeline facilities. GPS has established a 24-hour emergency phone number to facilitate operators' notification to GPS of these events.

### **Gas Pipeline Safety Division Top Accomplishments of 2015**

1. Co-hosted Industry Pipeline Safety Seminar in February 2015, attended by approximately 170 owners and operators.
2. Established and maintained 24-hour emergency contact phone line.
3. Created web portal for document submission with a view to transiting to a paperless reporting system.
4. All inspectors have taken advanced training classes in Oklahoma City; a total of 17 classes.

## **Office of the General Counsel**

The General Counsel acts as the chief legal advisor to the Commission on cases, policies and other issues facing the Commission. In addition to rendering legal advice to the Commission, the General Counsel represents the Commission in outside litigation and in other State and Federal court and agency proceedings such as the Federal District and Circuit Courts, Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC).

The Office of the General Counsel includes law clerks, an employment attorney and support personnel. The law clerks research regulatory matters involved in cases; prepare summaries of facts and issues in Commission deliberations and hearings and draft orders that are reviewed, revised and approved by the Commission. The employment attorney assists in the development of policy, tracks court opinions in human resources and employment law and researches and handles grievances and other employment issues.

### **Office of the General Counsel Top Accomplishments of 2015**

1. Worked with the Commission's Executive Secretary Division to develop internal procedures to ensure a smooth transition of our legislative-exempt rulemakings into the new electronic rule-filing system introduced by the Secretary of State.
2. Initiated a process to shorten the time period to complete residential billing dispute cases. Billing dispute cases directly impact individual customers, and swifter resolution of these cases benefits both customers and the utilities.
3. Successfully argued four cases before the West Virginia Supreme Court of Appeals.

## **Legal Division**

The Legal Division provides legal assistance to the other Divisions and represents the Staff of the Commission in proceedings before the Commission and Administrative Law Judges for adjudication and resolution. The Legal Division is bound by the rules regarding *ex parte* contact with the Commission and the Commission's immediate Staff.

The Commission Staff is a formal party to Commission proceedings. The Legal Division works with the technical and financial analysts to review the positions of all parties to the proceedings and presents a recommendation in those proceedings to the Commission for disposition of the matter. The Commission's Legal Division represents the Staff, not individual complainants, in matters before the Commission.

As required, the Legal Division, in coordination with the General Counsel, represents the Commission before State and Federal Courts and other State and Federal agencies including the WVIJDC, FERC and the FCC. The Legal Division is also involved in defending Commission Orders that are appealed to the Supreme Court of Appeals of West Virginia. In addition to working on formal cases, the Legal Division assists other Divisions within the Commission to develop responses to utility customers and utility company inquiries.

### **Legal Division Top Accomplishments of 2015**

1. Represented technical Staff in 1,538 formal cases before the Commission involving all areas of public utility regulation, gas pipeline safety, motor carrier and solid waste landfill, and appeared on behalf of the Commission before circuit courts, the Supreme Court of Appeals of West Virginia, and State and Federal agencies. The legal activities involve litigation, negotiating stipulations and specialized contracts, legislative work, preparing training materials and developing regulatory policy guides.
2. Participated in 519 formal complaint cases filed and closed with a Final Order. Of these, 477 cases were closed without the need for hearing. 366 of the 477 involved interim relief requests in which Legal Staff worked with Technical Staff to expedite a decision on whether utility service needed to be maintained or restored to customers involved in utility disputes.
3. Participated in 123 hearings.
4. Participated in 23 cases filed in 2015 involving water or sewer projects that would add a total of 1,704 customers and investments of more than \$132 million if the certificates are granted.
5. Participated in five gas and electric certificate cases that, if approved, will add 27.5 miles of either gas or electric transmission facilities at an investment of approximately \$180.5 million.



## **Transportation Administration Division**

The Transportation Administration Division consists of three operating sections: Motor Carrier, Hazardous Material Registration and Coal Resource Transportation System.

The Motor Carrier Section conducts registration of intrastate and interstate motor carriers and collects intrastate and interstate assessments, registration fees, filing fees for intrastate authority, insurance fees and HazMat (hazardous materials) assessments. Most of the revenue is derived from Unified Carrier Registration (UCR).

The Hazardous Material Registration Section is responsible for registration of hazardous material transported in the state and is responsible for a multi-state project that provides for identification, registration and permitting of commercial motor vehicles carrying these materials in West Virginia.

Weight enforcement responsibility for all commercial motor vehicles on the roads of West Virginia is also the responsibility of the Commission. The Commission enforces the Coal Resource Transportation System (CRTS) for permitting vehicles on certain CRTS designated roads in eighteen counties, primarily in the southern West Virginia coal fields. Coal haulers may purchase a permit through the Transportation Administration Division that will allow for a gross vehicle weight of up to 120,000 pounds, depending on the truck configuration and the specific routes on which the truck will be operating. This Section is also responsible for imposing reporting requirements for coal shippers and receivers, especially on the CRTS roads.

### **Transportation Administration Division Top Accomplishments of 2015**

1. Unified Carrier Registration consistently remains in the top 10 in the nation as rated by the board of the Unified Carrier Registration Plan and Agreement.
2. Coal Resource Transportation System saved lives this year, as it has since its inception. There were some traffic fatalities in the coalfields in 2015, but none were caused by a speeding, overweight coal truck.
3. The HazMat Section continued to work with the Alliance for Uniform Hazmat Transportation Procedures to act as a leading vocal advocate for upgrading placards for transportation of hazardous materials on public highways.

## **Transportation Enforcement Division**

The Transportation Enforcement Division consists of four operating sections: Railroad Safety, Safety Enforcement, Special Operations and Logistics.

The Railroad Safety Section is responsible for the administration and enforcement of Federal and State safety regulations governing the transportation of persons and property by rail. Freight transportation is expected to double in the next twenty-five years. Amtrak predicts similar growth in rail ridership. Rail safety through education, engineering and enforcement has become increasingly important as the rising number of people and the amount of freight moving on trains have resulted in more trains on more tracks going faster than ever before.

Officers in the Safety Enforcement Section perform vehicle safety inspections of motor vehicles operated by interstate and intrastate motor and private carriers, commercial motor vehicles and drivers. These inspections are performed on a routine basis in designated work areas and at regional road check sites throughout the state during the warmer months. During the winter months, the officers also inspect vehicles at the terminal facilities of intrastate carriers. Officers enforce compliance with U.S. Department of Transportation safety criteria adopted by the Commission. The Safety Enforcement Section also conducts compliance reviews on interstate and intrastate motor carriers in conjunction with Investigators of the Federal Motor Carrier Safety Administration located in West Virginia.

The Special Operations Section conducts safety audits on West Virginia motor carriers involved in interstate commerce. This Section is responsible for the Special Patrol Unit charged with addressing high commercial vehicle accident areas within the State of West Virginia.

The Logistics Section is responsible for the procurement and inventory of all supplies and equipment to support the Transportation Enforcement Division. This Section installs and maintains all electronic equipment used by the Transportation Enforcement Division.

### **Transportation Enforcement Division Top Accomplishments of 2015**

1. Became a sub-grantee to the West Virginia Department of Motor Vehicles to make the I-64 eastbound weigh station a state of the art facility, and to purchase two Smart Roadside Inspection Stations (IRIS Vans) and mobile radios.
2. Awarded \$275,000 from the FMCSA to purchase additional mobile radios.
3. Increased passenger carrier/bus inspections by 127 individual inspections between October 1, 2014, and September 30, 2015, over those conducted in the same time period last year.
4. Increased overall inspections between October 1, 2014, and September 30, 2015, by 38 individual inspections over those recorded in the same time period last year.
5. The Railroad Safety inspection program was rated sixth in the nation by the Federal Railroad Administration.

## **Utilities Division**

The Utilities Division consists of accountants, auditors, analysts and economists, and provides accounting, audit, financial, economic and other technical assistance and analysis in Commission cases and processes and participates in rate and other filings made by electric, natural gas, telephone, water and wastewater utilities, solid waste carriers, taxis, limousine services, household goods movers, tow operators and commercial solid waste facilities.

This Division is responsible for reviewing and making recommendations to the Commission regarding formal customer complaints filed against natural gas, electric, telephone, water and wastewater utilities, regulated motor carriers and commercial solid waste facilities, and informal complaints or requests for assistance dealing with other regulated utility services. The Utilities Division assists customers with quality of service complaints related to cable television, maintains a comparative database of motor carrier costs and rates and conducts both financial and management audits of motor carriers operating within the state.

### **Utilities Division Top Accomplishments of 2015**

1. Provided assistance to electric, gas, telecommunications and motor carrier customers at the informal level involving 6,218 requests related to billing, initiation and termination of service and quality of service issues.
2. Provided assistance to electric, gas, water, sewer, telecommunications and motor carrier customers at the formal level involving 907 requests related to billing, termination of service and quality of service issues.
3. Completed analysis and recommendations on three general rate proceedings and three fuel and purchased power cost recovery proceedings for the major electric companies serving West Virginia.
4. Processed 29 rate proceedings involving PSDs that provide water and sewer service.
5. Provided analysis and recommendations on one general rate proceeding and 11 purchased gas cost recovery proceedings for gas utility companies serving West Virginia.
6. Provided analysis and recommendations on the transfer of the 800MW Mitchell Power Station near Moundsville, West Virginia, from a non-regulated AEP subsidiary to Wheeling Power Company.
7. Provided analysis and recommendations on application for a Siting Certificate to construct and operate an electric wholesale generating facility, including a related transmission line near Moundsville, West Virginia.

## **Water and Wastewater Division**

The Water and Wastewater Division (WWD) provides assistance to political subdivisions of the State that operate a water, sewer and/or stormwater utility, in the areas of technical support, operations, engineering, design, financial analysis, accounting, ratemaking, Commission rules and policies and other regulatory matters. The Division also provides assistance to private utilities with Commission rules and policies.

The Division also provides mandatory and optional training seminars, makes field visits and, in collaboration with the West Virginia Department of Environmental Protection (DEP), the Bureau for Public Health, and the Bureau for Risk and Insurance Management, publishes *The Pipeline*, a quarterly newsletter.

In 2015, the Water and Wastewater utility analysts provided technical assistance to water and wastewater utilities in 944 matters. The average completion time for resolving a technical assistance request during 2015 was approximately 1.2 days. The Assistance Staff is also charged with reviewing, from a financial perspective, the preliminary applications to WVIJDC. During 2015, the Water and Wastewater utility analysts conducted approximately 50 WVIJDC reviews. The Division also reviewed approximately 559 annual reports filed by water and wastewater utilities for quality and accuracy. During 2015, the Division also processed 1,368 informal inquiries.

With the passage of Senate Bill 234 (effective June 12, 2015) political subdivisions were able to obtain additional informal assistance from the Commission regarding rates, projects, extensions, and deliberations. Since the passage of the legislation, WWD Staff have provided guidance on a possible acquisition of one utility by another and also attended a meeting to assist a municipal utility in its rate deliberations.

### **Water and Wastewater Division Top Accomplishments of 2015**

1. Involved in the Public Water System Supply Study Commission pursuant to Senate Bill 373 and Senate Bill 423.
2. Provided financial reviews on 50 projects seeking funding through the WVIJDC.
3. Trained more than 220 individuals through Commission seminars.
4. Promoted the Environmental Protection Agency's "Fix A Leak Week" to teach school children about water resources, conservation and efficiency.
5. Processed more than 3,843 informal customer complaints.

## **V. Significant Proceedings**

Each year the Commission considers a number of significant or novel proceedings. A few of the more significant matters from 2015 are summarized below.

### **Electricity**

#### **Electric Utility Rate Cases**

##### **Appalachian Power Company and Wheeling Power Company Base Rate and Depreciation Rate Cases**

On June 30, 2014, Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) (and collectively APCo/WPCo), both wholly-owned subsidiaries of American Electric Power (AEP), filed an application to increase their base rates and charges by approximately \$226.1 million, or 13.56%, including approximately \$44.6 million for their approved Vegetation Management Program (VMP) (Case No. 14-1152-E-42T). On June 30, 2014, the Companies also filed a request to change depreciation rates under Rule 20 of the Commission's Rules of Practice and Procedure (Case No. 14-1151-E-D). APCo/WPCo stated that their proposed depreciation rates would require \$59.6 million in depreciation expenses, which were included in the base rate application.

The Commission granted intervenor status to the Commission's Consumer Advocate Division (CAD); the West Virginia Energy Users Group (WVEUG); Steel of West Virginia, Inc. (SWVA); The Kroger Company; Wal-Mart Stores, East, LLC; and Sam's East, Inc. The Commission held a total of twelve public comment hearings in Bradshaw, Princeton, Huntington, Wheeling, Oak Hill and Charleston, and an evidentiary hearing on January 12-16, 2015, in Charleston.

On May 26, 2015, the Commission issued an Order granting a \$123.5 million rate increase that included a base rate increase of \$78.986 million and a VMP surcharge of \$44.472 million annually. The Commission assigned \$93.930 million of the increased rates to the residential class, resulting in a 16.1% increase, with \$39.013 million of the increase to be effective immediately and the remaining \$25 million to be effective on July 1, 2016. The Commission approved the remaining \$25 million of the going-level rate increase to be treated as a deferred regulatory asset and authorized APCo/WPCo to accrue a carrying charge on this amount at 7.39%, the overall rate of return approved in the case. The Commission also approved depreciation rates that resulted in an increase in depreciation expense of approximately \$32.36 million and authorized APCo/WPCo to collect lost revenues of approximately \$3.93 million associated with their Energy Efficiency/Demand Response programs.

On July 8, 2015, the Commission entered a Final Order denying Petitions for Reconsideration and directed APCo/WPCo to file a detailed analysis by September 15, 2015, showing the total APCo/WPCo level of revenues and expenses for the PJM Open Access Transmission Tariff (OATT) and the methods used to allocate those revenues and expenses to the various retail and wholesale customers from 2010 through June 30, 2015. This case is now closed.

Appalachian Power Company and Wheeling Power Company Energy Efficiency/Demand Response Program

On March 2, 2015, APCo/WPCo filed a petition for review of their energy efficiency/demand response program (EE/DR) rates (Case No. 15-0303-E-P). APCo/WPCo proposed to increase their EE/DR budget by \$1.8 million, to \$10 million annually, to fund an Integrated Volt VAR control system. Intervenor status was granted to CAD, WVEUG, West Virginia Citizens Action Group (WVCAG), and the Sierra Club.

The Commission held an evidentiary hearing in the matter on June 4-5, 2015, primarily to review the appropriate level of EE/DR spending, with WVCAG and the Sierra Club arguing that APCo/WPCo should provide additional funding for the Targeted Low-Income and Custom C&I programs. On June 29, 2015, the Commission issued a Final Order approving the proposed \$1.8 million to EE/DR funding to implement the Volt VAR system and denying any additional increase to be funded by the ratepayers. This case is now closed.

Appalachian Power Company and Wheeling Power Company Expanded Net Energy Cost

On March 2, 2015, APCo/WPCo filed their 2015 petition to initiate the annual review and update of their Expanded Net Energy Cost (ENEC) rates (Case No. 15-0301-E-GI). The ENEC rate review is a special purpose rate proceeding for electric utilities that allows cost recovery for prudently incurred costs for obtaining fuel, the cost of purchased power, purchased transmission costs and construction costs for specific projects. APCo/WPCo proposed to increase ENEC rates by an additional \$61.5 million, change the treatment of revenues associated with the PJM OATT and to roll the \$1.8 million deferred Construction Surcharge over-recovery into the ENEC balance. The Commission granted intervenor status to CAD, SWVA, and WVEUG.

On June 4, 2015, the parties filed a Joint Stipulation and Agreement for Settlement (Joint Stipulation) recommending that the Commission increase ENEC rates to produce an additional \$30 million in revenue effective July 1, 2015, allow a rate cap for Special Contract customers, establish a surcharge designed to recover certain transmission

investments, and approve a \$100,000 contribution to the Dollar Energy Fund in 2015 to assist low-income West Virginians with their utility bills.

The Commission issued a Final Order on June 29, 2015, approving the Joint Stipulation and an ENEC rate increase to generate an additional \$30 million of revenue. This case is now closed.

### Appalachian Power Company and Wheeling Power Company's applications for Tariff Revisions

On October 8, 2015, APCo/WPCo filed an application to revise their terms and conditions of service and their Underground Service Plan (Case No. 15-1673-E-T). APCo/WPCo's proposed changes that affect services include changing security deposit terms applicable to non-residential customers; eliminating the checkless payment plan; discontinuing the practice of giving customers one hour prior to termination to make an on-site payment; changing average monthly payment plans; phasing out the equal payment plans; adding provisions regarding the customer's responsibility for costs of the preparation of engineering studies and estimates and relocation of facilities; changes to customers' liability with regard to internal or external adjustment of meters; use of energy by customers; denial or discontinuance of service when money is owed to affiliates; increasing reconnection charges; adding a customer investigation charge; increasing the bad check fee to more than the bank may charge; credit card payments; changing residential extensions of service terms; use of customer data; changing underground service plan terms and eliminating the special reconnect option. The Commission has scheduled an evidentiary hearing in this matter for April 21-22, 2016.

On October 23, 2015, APCo/WPCo also filed an application requesting the Commission approve two new riders for demand response (DR) service and approval of a new Standard Backup Maintenance Service Schedule (Case No. 15-1734-E-T-PC). DR allows utilities to manage peak demands by reducing load that customers have designated as interruptible and provides benefits to electric utilities and their customers. Curtailing interruptible load when wholesale electricity prices are high can allow utilities and their customers to avoid those high wholesale prices or high-cost generation and enhance grid reliability when the grid requires load reduction.

APCo/WPCo proposed to recover the costs associated with the two new DR Riders through their annual ENEC proceedings. The costs include net compensation (bill credits net of buy-through charges and non-compliance charges) to customers who agree to take service under any of the proposed DR Riders.

APCo/WPCo also proposed to change their tariff for customers who operate their own power production facilities and request APCo/WPCo to provide service when the

customer's power is not available. A new schedule is proposed to be added that provides for (i) supplemental service (service provided to the customer to supplement the output of the customer's power production facilities); (ii) backup service (service provided to the customer when the customer's power production facilities are unavailable due to unscheduled maintenance) and (iii) maintenance service (service provided to the customer when the customer's power production facilities are unavailable due to scheduled maintenance).

CAD, WVEUG and SWVA have filed petitions to intervene in both these proceedings. EnerNOC, Inc. has filed a petition to intervene in Case No 15-1734-E-T-PC. These cases are pending before the Commission.

### FirstEnergy Base Rate and Depreciation Cases

On April 30, 2014, Monongahela Power Company (Mon Power) and the Potomac Edison Company (PE) (collectively MPC/PE) filed an application to increase electric rates and charges by \$95.7 million or 9.3% (Case No. 14-0702-E-42T). MPC/PE requested a surcharge of \$48.4 million for their approved Vegetation Management Program. MPC/PE also filed an application for a change in their depreciation rates (Case No. 14-0701-E-D). If approved, MPC/PE's revenue requirement would increase by \$17 million. The entire requested increase totaled \$144.1 million or 13.95%.

CAD, WVEUG, Wal-Mart Stores East, LP and Sam's East were granted intervenor status in these cases. The Commission held a total of six public comment hearings in Shepherdstown, Morgantown and Flatwoods.

On November 3, 2014, all parties submitted a Joint Stipulation for the Commission's consideration. The Stipulation included recommendation for a \$15 million base rate increase and a vegetation management surcharge that will initially produce \$47.58 million per year, making the total annual revenue increase \$62.5 million. The parties agreed that the surcharge would be subject to review every two years, that MPC/PE would withdraw their request for new depreciation rates and that MPC/PE's shareholders would increase their annual contribution to Dollar Energy Fund from \$100,000 to \$250,000. It was further agreed that the temporary surcharge related to the acquisition of the Harrison Power Station (Case No. 12-1571-E-PC) would be eliminated when the new rates were implemented.

On February 3, 2015, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.



### FirstEnergy 2014 ENEC

MPC/PE filed their annual ENEC filing on August 29, 2014 (Case No. 14-1550-E-P). Because of a settlement in the Harrison Power Station acquisition case (Case No. 12-1571-E-PC), MPC/PE did not file an ENEC case in 2013, making this request for two years. MPC/PE requested \$51.5 million under-recovery from the previous two years of fuel costs and \$14.3 million for a projected under-recovery for a total increase of \$65.8 million or approximately 5.7%. CAD and WVEUG were granted intervenor status.

On December 2, 2014, the parties submitted a Joint Stipulation for Commission consideration. The parties recommended a \$49 million increase in ENEC rates and that MPC/PE defer \$16.5 million of expenses that were owed by the large industrial classes of customers until the 2015 ENEC proceeding. The parties also agreed the rates would be effective February 25, 2015, to coincide with the new rates from FirstEnergy's Base Rate Case (Case No. 14-0702-E-42T).

On January 29, 2015, the Commission issued an Order adopting the Joint Stipulation. This case is now closed.

### FirstEnergy 2015 ENEC

MPC/PE filed their 2015 ENEC case on August 14, 2015 (Case No. 15-1351-E-P). MPC/PE requested \$97 million for an under-recovery from the previous year of fuel costs, \$23.65 million for a projected under-recovery and \$44 million to true up the Temporary Transaction Surcharge (TTS) related to the acquisition of the Harrison Power Station for a total increase of \$165.1 million.

On September 10, 2015, MPC/PE lowered their request by \$20.6 million to \$144.5 million as a result of the recent PJM Transitional Auction for Capacity Performance. CAD, WVEUG and WVCAG have been granted intervenor status.

On November 19, 2015, the parties submitted a Joint Stipulation for Commission consideration. The parties recommended removing \$6.6 million of the TTS costs for consideration in a future rate proceeding. The remaining \$38 million of TTS will be collected over a two-year period, reducing the rate request in this proceeding by approximately \$25.5 million. The parties also agreed MPC/PE would defer \$23.5 million of expenses that are owed by the largest industrial class of customers until the 2016 ENEC proceeding. The Joint Stipulation would result in approximately a \$97 million increase effective January 1, 2016.

On December 22, 2015, the Commission adopted the Joint Stipulation. This case is now closed.

### FirstEnergy Vegetation Management

On April 14, 2014, the Commission approved a Vegetation Management Program for MPC/PE in Case No. 13-1064-E-P. In its Final Order in the MPC/PE base rate case (Case No. 14-0702-E-42T), the Commission directed MPC/PE to file the first reconciliation of the Vegetation Management Surcharge (VMS) by September 15, 2015, covering the review period of April 14, 2014, through June 30, 2015, including a two-year forecast period for calendar years 2016 and 2017.

On August 31, 2015, MPC/PE filed a petition requesting increased rates for its Vegetation Management Surcharge (VMS) to be effective January 1, 2016, or earlier if possible (Case No. 15-1433-E-P). According to the petition, the increased rates were projected to result in additional annual revenues of \$37.5 million in 2016 and \$38.2 million in 2017. MPC/PE stated that part of the increased rate proposal was due to a deferred under-recovery balance for vegetation management costs of \$52 million as of June 30, 2015. The proposed increase was also due to a projected under-recovery during 2016 and 2017 of \$24 million. The filing stated that a typical residential customer using 1,000 kWh per month would experience a monthly increase of \$3.64. CAD and WVEUG were granted intervenor status in this matter.

On November 19, 2015, the parties submitted a Joint Stipulation for Commission consideration that recommended a reduction in the requested rate increase by approximately \$1 million for each year the rates would be in effect. If adopted, the Joint Stipulation would result in an approximately \$36.5 million increase effective January 1, 2016. The Commission held a hearing to receive evidence about the Joint Stipulation on November 19, 2015. On December 21, 2015, the Commission adopted the Joint Stipulation. This case is now closed.

### American Bituminous Power Partners and Monongahela Power Company Purchased Power Costs

On June 5, 2015, American Bituminous Power Partners, L.P. (AmBit), and Mon Power filed a joint petition to reopen Case No. 87-0669-E-C, requesting approval of a modified Electric Energy Purchase Agreement (EEPA). The Companies requested the Commission permit any incremental purchased power costs associated with the EEPA as amended to be recovered as purchased power expenses in Mon Power's annual Expanded Net Energy Cost (ENEC) filings. Intervenor status was granted to CAD, WVEUG and WVCAG.

In its filing, AmBit stated that it was in financial difficulty as a direct result of increased operating costs. It had defaulted on the principal payments that support the Revenue Bonds and was unable to pay lease rent on the property it occupies in Marion

County. AmBit asked that the EEPA be amended to increase its annual revenues, stating without which, it would be forced to discontinue operations or seek a judicial reorganization. AmBit and Mon Power conducted a series of negotiations to identify EEPA amendments that would stabilize AmBit's financial condition, preserve the employment and tax benefits its operations provide and safeguard the Project's contribution to Mon Power's capacity portfolio.

On June 16, 2015, Staff urged the Commission to dismiss the case on the grounds that it lacked jurisdiction; CAD later filed a similar petition. The Commission deferred any decision on the matter until after the September 11, 2015, evidentiary hearing and the filing of briefs. This case is pending before the Commission.

### Black Diamond Base Rate Case

Black Diamond Power Company is an electric company that serves approximately 4,800 customers in four West Virginia counties. It has no generation facilities of its own, but instead purchases energy from APCo for resale to its customers. On February 5, 2015, Black Diamond filed revised tariff sheets reflecting an average annual increase of \$1,112,889, or 14.47% (Case No. 15-0200-E-42T). APCo was granted intervenor status in the case. On July 24, 2015, all parties submitted a Joint Stipulation for consideration. The Stipulation recommended a \$215,424 base rate increase and a surcharge to eliminate the amount owed to APCo for purchased power.

The Commission held a hearing to receive evidence about the Joint Stipulation on July 28, 2015, and expressed concern about Black Diamond's ongoing inability or unwillingness to make payments to APCo and suggested that the parties discuss options for assuring that Black Diamond pays all amounts owed to APCo.

On September 15, 2015, the parties filed a Revised Joint Stipulation that included a mechanism to attempt to ensure payments are made to APCo for purchased power. By an Order entered September 28, 2015, the Commission accepted and approved the Revised Joint Stipulation. This case is now closed.

### Black Diamond Power Company's Purchased Power Cost

On August 3, 2015, Black Diamond filed a request for a combined purchased power surcharge of \$0.0122196 per kWh that would result in a total annual rate increase of \$687,131 (Case No. 15-1280-E-P). APCo was granted intervenor status in the case. Staff recommended an annual rate increase of \$217,631, which included a recommendation to return the net over-recovery balance of \$1,055,157 to customers over a five-year period in annual increments of \$211,031.

On November 13, 2015, the Commission issued a Final Order approving a Joint Stipulation signed by all parties which recommended a combined purchased power surcharge of \$0.0864129 per kWh and a revenue allocation to APCo of 69.98%. This case is now closed.

## **Electric Utility Generation Cases**

### **Appalachian Power Company, dba American Electric Power Generating Plants Status**

On February 27, 2015, APCo filed a document stating that it planned to demolish the Glynn Lyn, Philip Sporn, and Kanawha River electric generating plants because it was not cost effective to retrofit these plants to comply with forthcoming environmental regulations.

On May 8, 2015, Staff filed a Petition requesting the Commission initiate a new proceeding and direct APCo to submit sufficient information to justify the planned closure of the three electric generating plants (Case No. 15-0722-E-P). The Petition also requested that the Commission direct APCo to not take any action with regards to the plants that would render them permanently inoperable.

On July 7, 2015, The Commission issued a Final Order that had the following key elements (i) urged APCo to maintain any infrastructure installed at the Kanawha River Plant that could be used for natural gas conversion for at least four years or until further order of the Commission; (ii) although the Glenn Lyn and Sporn plants were probably not realistic options as gas-fired plants, the Commission encouraged APCo to give careful consideration to their future in light of expected U.S. Department of Environmental Protection (EPA) rules; and (iii) expenses APCo incurred related to operating permits and licenses could be considered for cost recovery in an appropriate future case.

On July 17, 2015, APCo filed a Petition for Reconsideration, stating it had taken steps to maintain the Kanawha River and Sporn plant operating permits and was paying the appropriate operating fees. APCo requested to defer, with carrying costs, all its prudent costs of acting in accordance with the Commission's Orders for cost recovery consideration in a future APCo rate proceeding. On August 7, 2015 the Commission dismissed APCo's Petition for Reconsideration, clarifying its July 7, 2015 Order.

On October 8, 2015, APCo filed a further Petition to Reopen requesting the Commission grant it authority to proceed with the demolition of the Sporn and Glen Lyn electric generating plants. APCo stated its analysis of the costs to convert the plants from coal to natural gas indicate that the conversion did not make economic sense, but that

APCo planned to keep open the possibility of converting the Kanawha River Plant to natural gas.

On October 23, 2015, the Commission entered a Final Order denying APCo's October 8, 2015 Petition to Reopen, stressing that APCo's filing was not necessary. This case is now closed.

#### Transfer of the Mitchell Plant to Wheeling Power Company

On March 4, 2014, APCo/WPCo filed an updated plan to transfer a 50% interest in the Mitchell Plant, located in Moundsville, solely to WPCo and for approval of affiliated agreements related to the acquisition and operation of the Mitchell Plant (Case No. 14-0546-E-PC). The transfer would provide 800 MW in generating capacity to WPCo. APCo/WPCo proposed a \$118 million surcharge to base rates along with a decrease of the Expanded Net Energy Cost upon approval of the transaction. CAD; WVCAG; WVEUG; Sierra Club; SWVA; West Virginia Oil and Natural Gas Association (WVONGA); and West Virginia State Building and Construction Trades Council, AFL-CIO were granted intervenor status in the case.

On October 9, 2014, the parties filed a Joint Stipulation. On December 30, 2014, the Commission entered an Order generally approving the proposed transfer and associated affiliated transactions and the terms of the Joint Stipulation, subject to certain modifications intended to protect ratepayers from potential future liabilities that could result from the Connor Run Fly Ash Impoundment and Dam associated with the Mitchell Plant. The Commission's Order required the Companies to submit appropriate agreements executed by an AEP corporate entity that will survive the transfer of the Mitchell Settlement Interest that would indemnify WPCo and its ratepayers against any liability associated with the Connor Run facilities. The Commission also approved rate changes associated with the transaction, including a Base Rate Surcharge and new ENEC rates to be effective with the finalization of the transfer of the Mitchell capacity to WPCo.

The Companies filed the required Indemnification Agreement between AEP Generation Resources, Inc. and WPCo and on January 22, 2015, the Commission entered its Final Order requiring modifications to the Indemnification. This case is now closed.

#### Appalachian Power Company Request for Proposal for Wind Power

On December 4, 2015, APCo filed a petition for Commission approval of a request for proposal (RFP) to add 150 MW of wind power to its renewable energy portfolio (Case No. 15-1916-E-P). This case was filed as a requirement of the Commission's Order of December 30, 2014, in Case No. 14-0546-E-PC that approved

the transfer to WPCo of an undivided 50% interest in the Mitchell Power Plant. The Commission required the issuance of an RFP the next time APCo/WPCo sought energy and capacity in excess of 100 MW for its West Virginia customers (other than from the non-rate-base portion of the Mitchell Plant).

APCo noted that any contract developed as a result of the 2016 Wind RFP would be submitted to this Commission and the Virginia State Corporation Commission and that obtaining appropriate regulatory orders will be a condition of any such contracts. APCo has targeted February 12, 2016, as the date for the issuance of the 2016 Wind RFP. This case is pending before the Commission.

### Moundsville Power, LLC

On July 3, 2014, Moundsville Power, LLC filed an application for a Siting Certificate requesting authorization to construct and operate an electric wholesale generating facility (Project), including a related transmission line of less than 200 kV in Marshall County, West Virginia (Case No. 14-1221-E-CS). The proposed project is a 549 MW natural gas fired electric generating facility to be constructed on a 37.2 acre tract, part of the Allied-Hanlin-Olin Superfund site, approximately three miles south of Moundsville, West Virginia. The project would receive blended methane-ethane gas from a dedicated pipeline owned and constructed by a third party under contract to Moundsville Power, LLC. Under the proposed project, the transmission support line and associated interconnection facilities would be constructed to connect the project to American Electric Power's (AEP) Washington Substation. Construction costs were estimated at \$615 million.

In its application, Moundsville Power, LLC asserted that the project would not have an impact on West Virginia ratepayers. The parties filed a Joint Stipulation on December 2, 2014, that requested Commission approval of the project, subject to certain conditions. On February 13, 2015, the Commission entered an Order approving the Joint Stipulation and granting the Siting Certificate. In a related case, Case No. 15-0321-GT-CN, Moundsville Pipeline, LLC, on April 13, 2015, the Commission entered an Order approving the intrastate pipeline(s) supplying natural gas and ethane to the project site. These cases are now closed.

### Tri-State Solar/Wind Energy, LLC

On September 22, 2015, Tri-State Solar/Wind Energy, LLC (Tri-State), a West Virginia limited liability company, filed an application for approval of a Siting Certificate for a 5.3 MW solar conversion electric generating facility to be located in Greenbrier County, West Virginia (Case No. 15-1553-E-CS). The electricity generated by the

project will be sold in the competitive wholesale market in West Virginia and other locations.

By Procedural Order entered November 25, 2015, Tri-State's application was found initially to be deficient in certain areas. The Commission granted Tri-State additional time to submit the missing documentation. Tri-State recently made a filing to request waivers of some of the requirements set forth in the Commission's Rules Governing Siting Certificates for Exempt Wholesale Generators 150 CSR §30, et seq., (endangered or threatened species, noise, traffic and cultural impact.) The Staff is conducting its review of the filing and requested waivers, and will file final recommendations by February 1, 2016. This matter is pending before the Commission.

### **Miscellaneous Electric Cases**

#### **General Investigation into Net Metering in West Virginia**

In January 2015, the West Virginia Legislature passed House Bill 2001 (HB 2001) repealing the entire Alternative Energy Portfolio Act except W.Va. Code §24-2F-8, pertaining to net metering. The Legislature then expanded the net metering statute by passing HB 2201. The statutory revisions included a requirement for the Commission to "assure that any net metering tariff does not create a cross-subsidization between customers within one class of service." W.Va. Code §24-2F-8(d). Additionally, the Legislature added new requirements for net metering, including having a disconnect readily accessible to the utility between the facilities of a customer-generator and the electric utility. W.Va. Code §24-2F-8(h).

On May 5, 2015, the Commission issued an Order creating a Net Metering Task Force to review (i) net metering issues that need to be developed in West Virginia, (ii) studies that should occur, if any, and (iii) possible revisions to the current "Net Metering Rules" (Case No. 15-0682-E-GI). The Commission requested that the Task Force consider the statements of Governor Tomblin when he signed HB 2201 (which re-enacted and revised W. Va. Code § 24-2F-8):

"[The Governor encourages] the Public Service Commission to continue to evaluate the costs and benefits of West Virginia's net metering policy to balance the potential for new jobs and investment in alternative energy without unfairly burdening current ratepayers."

The Task Force met throughout the spring and summer to discuss HB 2201 and the Commission's mandate. On September 30, 2015, the Task Force filed its final report with the Commission. This case is pending before the Commission.

## General Investigation Regarding the Government of Electric Utilities

By Order issued March 27, 2015, the Commission commenced a General Investigation regarding the requirements of the Commission Rules governing electric and gas utility discontinuance of service provisions, sometimes referred to as Customer Termination Rules, set forth in Rule 4.8 of the Rules for the Government of Electric Utilities, 150 C.S.R. Series 3 (Electric Rules) and Rule 4.8 within the Rules for the Government of Gas Utilities and Gas Pipeline Safety, 150 C.S.R. 4 (Gas Rules) (Case No. 15-0469-E-G-GI). The Commission invited interested parties to file initial comments on or before May 29, 2015, and reply comments on or before June 29, 2015. The Order stated that once the Commission reviewed the comments, it would determine the need for an evidentiary hearing or revised rules.

Comments were filed by APCo/WPCo; MPC/PE; Mountaineer Gas Company; Hope Gas, Inc.; Peoples Gas WV, LLC; AARP West Virginia; CAD and Commission Staff .

The Commission is in the process of considering all of the comments. This case is pending before the Commission.

## AEP Transmission Cases

In 2015, West Virginia AEP Transmission Company (WV Transco) filed three certificate applications to make upgrades to the AEP transmission system in West Virginia (Case Nos. 15-0515-E-CN, 15-1258-E-CN and 15-1900-E-CN). These upgrades, by and large, have been mandated by PJM, the operator of the regional transmission system, to maintain and enhance the reliability of the region's transmission system. The Commission granted certificates in the first two cases. Case No. 15-1900-E-CN, filed on November 25, 2015, is pending before the Commission.

## Natural Gas

### Purchased Gas Cost Cases

Under the Commission's Rule 30C procedures, natural gas utilities are entitled to file annually to adjust the purchased gas component of their rates. This purchased gas adjustment procedure (PGA) allows the gas utility to recover the costs it pays suppliers for the gas it delivers to gas customers. The PGA cost of purchased gas varies depending on the natural gas utility serving the customer and, on average, is currently 42% of a customer's winter heating bill.

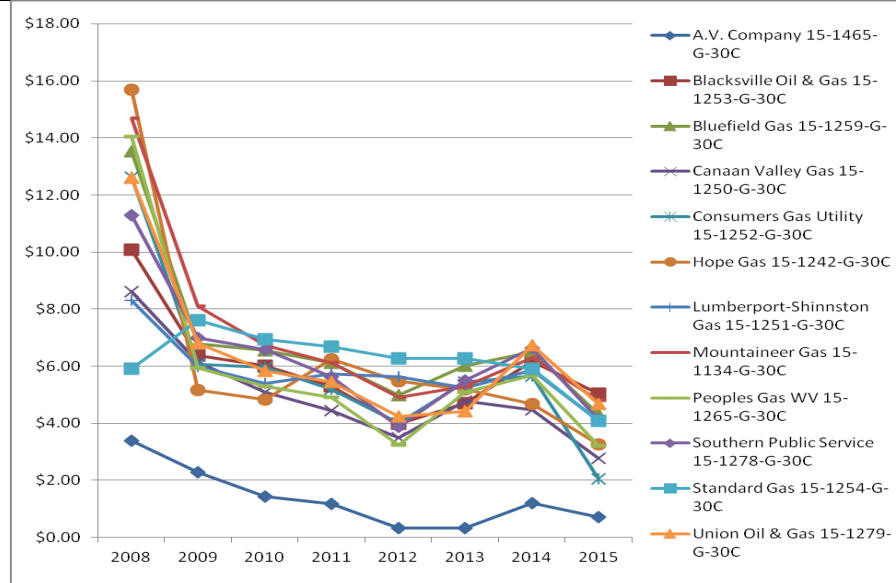


The prices that natural gas utilities pay their suppliers for gas are not regulated by either the Commission or any Federal government agency, but are determined by a national market. Over recent years, the market-driven price has been extremely volatile, largely resulting from the supply advantage resulting from the availability of Marcellus gas in the market and other external factors.

Following a review of the 30C rate filings by natural gas utilities, the Commission again ordered that interim gas rates to recover the cost of purchased gas be lowered across the state for the winter of 2015-2016:

**Purchase Gas Cost per McF 2008-2015**

Company and Case Number	2008	2009	2010	2011	2012	2013	2014	2015
A.V. Company 15-1465-G-30C	\$3.39	\$2.29	\$1.44	\$1.16	\$0.33	\$0.33	\$1.193	\$0.705
Blacksville Oil & Gas 15-1253-G-30C	\$10.07	\$6.36	\$6.01	\$5.289	\$3.979	\$4.704	\$6.176	\$5.041
Bluefield Gas 15-1259-G-30C	\$13.53	\$6.79	\$6.56	\$6.1257	\$4.9866	\$6.013	\$6.5063	\$4.3082
Canaan Valley Gas 15-1250-G-30C	\$8.61	\$6.14	\$5.08	\$4.448	\$3.501	\$4.787	\$4.458	\$2.766
Consumers Gas 15-1252-G-30C	\$12.63	\$6.07	\$5.97	\$5.178	\$4.00	\$5.45	\$5.64	\$2.05
Hope Gas 15-1242-G-30C	\$15.68	\$5.15	\$4.83	\$6.25	\$5.478	\$5.188	\$4.66	\$2.580
Lumberport-Shinnston 15-1251-G-30C	\$8.31	\$5.99	\$5.39	\$5.739	\$5.627	\$5.232	\$5.862	\$4.071
Mountaineer Gas 15-1134-G-30C	\$14.69	\$8.09	\$6.74	\$6.108	\$4.913	\$5.298	\$6.293	\$4.812
Peoples Gas 15-1265-G-30C	\$14.05	\$5.93	\$5.28	\$4.90	\$3.24	\$5.09	\$5.67	\$3.20
Southern Public Service 15-1278-G-30C	\$11.30	\$6.98	\$6.59	\$5.613	\$3.886	\$5.50	\$6.634	\$4.127
Standard Gas 15-1254-G-30C	\$5.92	\$7.60	\$6.94	\$6.68	\$6.28	\$6.26	\$5.915	\$4.09
Union Oil & Gas 15-1279-G-30C	\$12.60	\$6.80	\$5.83	\$5.434	\$4.24	\$4.421	\$6.727	\$4.368



## **Miscellaneous Natural Gas Utility Cases**

### **Mountaineer Gas Company (15-0003-G-42T; 15-0048-G-D)**

On January 5, 2015, Mountaineer Gas Company (MGC) filed an application to increase its base rates and charges by approximately \$12.2 million, or 4.7%, in annual revenue for its approximately 221,000 customers (Case No. 15-0003-G-42T). CAD, Independent Oil and Gas Association of West Virginia (IOGA) and WVEUG were granted intervenor status in the base rate case

On January 20, 2015, MGC requested a revised depreciation rate (Case No. 15-0048-G-D). MGC represented that the revised depreciation rate reflected an \$800,000 decrease in annual depreciation expense, which was incorporated into the rate increase request filed on January 5, 2015. CAD and IOGA were granted intervenor status in the depreciation case.

MGC, Staff, CAD and WVEUG entered into a Joint Stipulation and Settlement Agreement in which they recommended that the Company implement an increase of \$7.7 million in base rate revenues, but proposed a decrease in MGC's PGA. This decrease would more than offset the increase in base rates, resulting in a net decrease in overall rates and charges. The parties also agreed to certain accrual rates as a reasonable resolution of the depreciation issues. IOGA did not join in the Joint Stipulation, but indicated it did not oppose it.

Following an evidentiary hearing held on July 15, 2015, the Commission entered an Order on October 13, 2015, approving the Joint Stipulation and Settlement Agreement. This case is now closed.

### **Mountaineer Gas Company SB 390 Filing**

During the 2015 Legislative Session, the Legislature passed Senate Bill 390 (SB 390) (W. Va. Code § 24-2-1k) that provides to natural gas companies a mechanism to recover on investments in infrastructure replacements, extensions and improvements through a surcharge.

On July 31, 2015, MGC filed an application for a surcharge on gas infrastructure improvements (Case No. 15-1256-G-390P). MGC's application included a five-year plan of infrastructure improvements and proposed to invest \$73 million over that period, including \$14 million in 2016. MGC asserted that the improvement projects will enhance the safety and reliability of Mountaineer's distribution system by replacing aging facilities. CAD and WVEUG were granted intervenor status.

The parties entered into a Joint Stipulation that requested Commission approval of MGC's infrastructure improvement plan and surcharge. An evidentiary hearing was held on October 15, 2015.

On December 23, 2015, the Commission issued a Final Order adopting the Joint Stipulation. This case is now closed.

Hope Gas, Inc., dba Dominion Hope SB390 Filing

On September 30, 2015, Hope Gas, Inc., dba Dominion Hope (Hope Gas), filed an application for approval of its Pipeline Replacement and Expansion Program and for associated cost recovery (Case No. 15-1600-G-390P).

The application filed by Hope Gas involves a multi-year comprehensive plan for natural gas infrastructure replacements and extensions. Hope Gas has embarked on a comprehensive 50-year plan to replace bare steel gas distribution mains; replace unprotected and/or ineffectively coated steel gas distribution mains; replace unprotected, ineffectively coated steel gas service lines; and upgrade system facilities. Hope Gas also proposes to extend from 100 feet to 300 feet the portion of gas main distribution extensions that do not involve customer contributions to the costs of construction and capital. Under the proposal, new customers within 300 feet of a gas distribution main would not bear any expense for the installation of the gas service line.

An evidentiary hearing is set on this matter for January 7-8, 2016. This case is pending before the Commission.

Bluefield Gas Company and Utility Pipeline, Ltd.

On August 25, 2015, Bluefield Gas Company (BGC) and Utility Pipeline, Ltd. (UPL) (together Joint Petitioners), filed a petition for consent and approval of the acquisition of indirect control of BGC by UPL (Case No. 15-1404-G-PC). In the transaction, UPL would acquire a majority ownership in Appalachian Natural Gas Distribution (ANGD), which in turn owns the common stock of BGC. The acquisition will give UPL an indirect majority ownership in BGC.

UPL is an Ohio limited liability company based in Canton, Ohio, that provides management services to eight gas distribution companies or cooperatives in Ohio, Indiana and Pennsylvania. BGC provides gas utility service to 3,388 customers in and around Bluefield, West Virginia. The Joint Petitioners asserted that the acquisition will not change the management, financing, operations, employee levels, service levels or rates of BGC. CAD was granted intervenor status in this case.

On November 13, 2015, Commission Staff recommended the Commission grant its consent and approval of this ownership change, subject to the following conditions: (i) local management will continue with no changes in current management; (ii) there will be no changes in current rates or commodity costs; (iii) there will be no effects on employees and no reduction in employees; (iv) all existing contracts will remain in place; (v) infrastructure replacement will continue at current levels; (vi) gas procurement and utility operations will continue as usual; and (vii) the local service center will be maintained. On November 17, 2015, the CAD filed a letter in support of the Staff recommendations. Counsel for BGC has filed a letter agreeing to the conditions recommended by Staff. The Commission conducted an evidentiary hearing on this matter on December 1, 2015. This case is pending before the Commission.

Longview Power, LLC v. Hope Gas, Inc., dba Dominion Hope

On March 28, 2014, Longview Power, LLC (Longview) filed a Verified Complaint, Request for Emergency Interim Relief, and Request for Declaratory Judgment against Hope Gas (Case No. 14-0499-G-C). Longview asked the Commission to rule that Hope cannot include an exclusivity provision in a proposed service agreement for Hope to deliver gas to Longview's coal-fired electric generating station in Madsville, West Virginia, primarily for start-up operations.

According to Longview, the exclusivity provision makes Hope its sole supplier, despite the fact that capacity limitations on Hope's pipeline serving the plant prevent Hope from providing sufficient gas to Longview's generating station, prevent Longview from dispatching electricity into PJM energy markets, damage Longview financially and prevent Longview from serving its customers. Longview asked the Commission to rule that Hope could not pass through to Longview certain operations and maintenance costs Hope elected to incur from its affiliate, Dominion Transmission, Inc.

The Commission issued an Order on May 22, 2014, stating that the exclusivity provision should not prevent Longview from attempting to arrange alternative service, provided that any such agreement was consistent with the Commission's Gas Transportation Rules.

The Commission also held that, under the circumstances, it was not in the public interest for a base load electric generating station to be prevented from operating by virtue of a provision in a contract for interruptible transportation of natural gas. The Commission dismissed the concern that existing statutes precluded competition between utilities when its own rules permitted limited competition for natural gas utilities in certain instances. The Commission further indicated it had been persuaded, as of the April 16, 2014, hearing, that it was improper to require Longview to pay the costs of the interconnection between Hope and its affiliate.

In a status report filed on April 15, 2015, regarding the outcome of its bankruptcy proceedings, Longview requested that the Commission clarify the parties' obligations under a service agreement, then under negotiation, by directing the parties to enter into an amendment that would delete the "exclusivity provision" at the heart of Longview's formal complaint. The Commission declined to revisit the matter and issued an Order on June 25, 2015, adopting the interim decision issued on May 22, 2014, as its final ruling. This case is now closed.

## **Water and Wastewater**

### **West Virginia-American Water Co. Water and Sewer Rate Cases, Depreciation Case**

On April 30, 2015, West Virginia-American Water Company (WVAWC) filed three related cases with the Commission: a request for a 28% or roughly \$35.5 million increase in its water rates and charges throughout its West Virginia service territory (Case No.15-0676-W-42T); a request for a 22% rate increase in its sewer rates and charges for wastewater services it provides to customers in Fayetteville, West Virginia (Case No.15-0675-S-42T); and a request for an increase in its depreciation expense in both the water and sewer cases (15-0674-WS-D). After its initial filing, WVAWC reduced the amount of its requested increase of water rates and charges to \$32 million.

The Commission consolidated the three cases into one proceeding and approved requests to intervene in the case filed by CAD, Kanawha County Commission and Regional Development Authority, Advocates for a Safe Water System, City of Charleston, WVEUG and SWVA, Inc.

The Commission held nine public comment hearings in Weston, Huntington, Fayetteville, Princeton and Charleston and an evidentiary hearing on October 27-30 and November 2, 2015. Shortly after the evidentiary hearing, the Commission separated the two rate cases from the depreciation case and established separate briefing schedules. These cases are pending before the Commission with Orders due near the end of February 2016.

### **General Investigation into the actions of West Virginia-American Water Company in reacting to the January 9, 2014 Chemical Spill**

On January 9, 2014, Freedom Industries, Inc. suffered a significant leak in its storage tank facility, allowing the unpermitted discharge of crude 4-methylcyclohexane methanol (MCHM) into the Elk River about one mile from the raw water intake of WVAWC. That MCHM found its way into the raw water intake structure and ultimately

into the finished water supply of WVAWC produced at its Kanawha Valley Treatment Plant, resulting in a “do not use” notice affecting approximately 100,000 WVAWC customers. On May 21, 2014, the Commission initiated a limited General Investigation into the actions of WVAWC in reacting to the spill and the presence of MCHM in its raw water and finished water (Case No. 14-0872-W-GI).

The focus of the investigation is whether, at the time of and under the circumstances that existed with the spill, the actions of WVAWC in reacting to the spill and the presence of MCHM in its raw water or finished water supply constitute unreasonable or inadequate practices, acts or services as provided for in State Law. Included in the information WVAWC was ordered to provide to the Commission was a chronological description of actions taken by the company beginning when any employee, representative of its parent company or service company became aware of the spill; locations and measurements of MCHM discovered in the water; the process and factors used to decide whether to close the intake structure at its Charleston water treatment facility, including which, if any, outside agencies were consulted and who ultimately made the decision regarding the continued intake of raw water from the Elk River; and a description of alternatives for water treatment or alternative or supplemental sources of treated or finished water that were considered by WVAWC after it became aware of the spill.

The Commission consolidated and held in abeyance 26 other formal complaint cases that addressed spill-related matters, pending the outcome of the General Investigation. CAD, Advocates for a Safe Water System (ASWS) and a group representing local business owners have been granted intervenor status in this matter.

On November 20, 2015, the Commission issued an Order scheduling a Status Conference on this matter. On December 31, 2015, the Commission issued a further Order that, rescheduled the Status Conference for January 22, 2016, and directed parties to file written statements regarding (i) specific areas of overlap between witness testimony and SB 373, including the required source water protection plan; (ii) any areas in witness testimony, including, without limitation, recommended future practices, that do not overlap with SB 373; (iii) the legal implications of SB 373 upon the Commission’s ability to take action pursuant to W.Va. Code §24-2-7; and (iv) the impact of SB 373 on the scope and timing of this proceeding. This case is pending before the Commission.

### Berkeley County Public Service Sewer District EPA-Mandated Chesapeake Bay Project

On May 12, 2009, President Barack Obama signed an Executive Order that recognized the Chesapeake Bay as a national treasure and called on the Federal Government to lead a renewed effort to restore and protect the nation’s largest estuary and its watershed. West Virginia has 13 wastewater facilities that must be upgraded in

order to meet nutrient limits and new pollution reduction goals that are part of the federal “pollution diet” for the Chesapeake Bay and its rivers.

On December 19, 2013, Berkeley County Public Service Sewer District (District) filed a certificate application for Commission approval in order to make upgrades and modifications at the following facilities: 1) Baker Heights Wastewater Treatment Plant; 2) Inwood Wastewater Treatment Plant; 3) Opequon Hedgesville Wastewater Treatment; 4) North Area Wastewater Treatment Plant; and 5) Gantt (Mobile Home Park) Pump Station (Case No. 13-1836-PSD-42A-CN). The District estimated the total project cost to be approximately \$47,738,000.

The funding for this project consists of a West Virginia DEP Clean Water State Revolving Fund (SRF) loan for \$26,435,450 at 0% interest, with a 0.5% administrative fee for a term of 38 years; a West Virginia Infrastructure and Job Development Council (WVIJDC) loan for \$10,623,472 at 1% interest for a term of 38 years; and a Senate Bill 245 (Chesapeake Bay) grant for \$10,665,078.

Evidentiary and public comment hearings were held in Martinsburg on September 23, 2014. An Administrative Law Judge issued a Recommended Decision on December 1, 2014, setting new sewer rates for the District. The District filed Exceptions on December 16, 2014. On January 30, 2015, the Commission granted the District a certificate of convenience and necessity and approved the new rates. This case is now closed.

#### City of Williamson Water and Sewer Rate Cases and Complaint Case

On August 17, 2015, the City of Williamson (Williamson) adopted ordinances increasing the rates and charges to water and sewer customers of Williamson to become effective on and after October 1, 2015. On September 8, 2015, the Commission received a Petition of Protest to the water and sewer rate ordinances. The petition stated that an “increase of nearly 50% would create an undue burden on customers.”

On September 9, 2015, the Commission determined that the September 8, 2015, petition was sufficient for it to implement a municipal appeal to review the water and sewer rates of Williamson (Case Nos. 15-1480-W-MA and 15-1481-S-MA, respectively). Mingo Public Service District was granted intervenor status in the water rate case. A public comment hearing and evidentiary hearings are scheduled for January 26, 2016. These cases are pending before the Commission.

On August 26, 2015, Mingo County Public Service District (MCPSD) filed a complaint against Williamson regarding the discriminatory rates included in its newly adopted water ordinance because it increased MCPSD’s resale rate, but not the resale rate

for Mountain Water District of Kentucky (Case No. 15-1426-W-C). On October 23, 2015, the Commission dismissed the complaint case because MCPSD was an intervenor in the water municipal appeal and its rates would be reviewed in that case.

### Rules for the Construction and Filing of Tariffs

On June 12, 2015, the provisions of SB 234 became effective, making widespread changes to the Commission's jurisdiction and authority over certain municipal utilities and public service districts. The Commission issued an Order on July 31, 2015, requesting proposed rule changes focusing on the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules) to reflect the new changes in the law while maintaining applicability of the current Tariff Rules to electric, gas, telephone and private water and sewer utilities (Case No. 15-1255-PSWD-WS-GI). In addition, the Commission requested proposed rule changes to accommodate the changes made by SB 234 in the Commission's Rules of Practice and Procedure for rules governing the issuance of certificates of convenience and necessity. Both Staff and the West Virginia Rural Water Association submitted proposed rules to accommodate the changes made by SB 234. The case is pending before the Commission.

### Water and Sewer Certificate Cases

During 2015, the Commission processed 39 cases for municipalities, public service districts and water or sewer associations seeking certificates of convenience and necessity to expand, upgrade or replace water and sewer infrastructure within their service territories. These projects totaled investments of over \$307.6 million and gave water and/or sewer service to more than 3,900 new customers. Typically, the utility seeking a certificate of convenience and necessity for a proposed project submits an application along with an engineering study describing the scope of the project, specifications for physical infrastructure to be constructed, estimated costs and the benefits to be provided by the project. The filing also describes the sources of funding for the project such as loans and grants and contains detailed financial statements regarding the impact of the project in terms of any additional customer revenue, changes in operating expenses and annual debt service requirements related to the project. The utility may request increased rates to support project costs.

The filing is reviewed to determine the adequacy of the supporting data, and additional information may be requested to assure that the Commission has all of the information required to determine the reasonableness of the request. Staff reviews the engineering specifications to determine reasonableness of design and cost. Staff also reviews and analyzes the financial and operational data to determine appropriate rate



levels, if the utility’s current rates will not generate adequate revenue to support project costs.

A public hearing is held at which evidence is taken from the utility, Commission Staff and any intervenors with regard to the need for the project, any need for modifications to the project and proper rate levels required to support it. The Commission uses this evidence to determine if the project should be granted a certificate and the appropriate rates, as required.

Following are tables summarizing those projects for which certificates of convenience and necessity were approved during 2015.

<b>Utility – Project</b>	<b>Case Number</b>	<b>Date Filed</b>	<b>Estimated Cost</b>	<b>Pre-Project Customers</b>	<b>Customers Added</b>	<b>Date Approved</b>
City of Elkins: <i>Construction, operation and maintenance of upgrades to water system</i>	12-1382-W-CN	10/01/12	\$31,000,000	3,045	None	11/06/15
City of Keyser: <i>Phase 1 and Phase 2 Water improvements</i>	12-1679-W-CN	12/27/12	\$11,800,000	2,400	None	06/04/15
Buffalo Creek PSD: <i>Extend service along WV Route 10 (South of Man) to Davin</i>	13-1139-PSD-CN	07/29/13	\$5,184,353	1,183	397	03/05/15
Lincoln PSD: <i>Construct water lines to service Alkol, Bulger, Spurlockville and Upper Mud</i>	13-1356-PSD-CN	09/06/13	\$7,452,000	2,185	320	02/24/15
Kanawha Falls PSD: <i>Extend water service in Kanawha Falls/Boonesborough area</i>	13-1406-PWD-CN	09/17/13	\$1,459,899	1,382	43	10/07/15
Craigsville PSD: <i>Waterline extension to residents of Tioga.</i>	13-1472-PWD-CN	09/27/13	\$3,723,210	N/A	88	02/23/15
Frankfort PSD: <i>Petition to accept grant funds – make improvements to sewer system</i>	13-1517-PSD-PC-CN	10/07/13	\$23,700,000	1,421	None	01/06/15
Greater St. Albans PSD: <i>Sanitary Sewer extension to Chestnut Point Subdivision, Tornado area, Martin Branch, Tackett Creek</i>	13-1677-PSD-CN	11/04/13	Up to \$18,000,000	2,221	683	11/12/15
Berkeley County PSD: <i>Construct the Chesapeake Bay Compliance Project</i>	13-1836-PSD-42A-CN	12/19/13	Up to \$47,738,000	21,257	None	01/30/15
East Jefferson Sewer Services, LLC : <i>To maintain Jefferson County sewerage system</i>	14-0264-S-CN	02/13/14	N/A	N/A	None	Dismissed 01/07/15
Brooke County PSD: <i>Construct additions and improvements to existing system</i>	14-0596-PSD-CN	04/15/14	\$2,500,000	983	None	01/13/15
Shady Spring PSD: <i>Phase 2-A sewer extension to Ghent and Cool Ridge</i>	14-0895-PSD-CN	05/23/14	Up to \$8,000,000	4,045	None	Dismissed 04/26/15
Tri- County Water Association: <i>Add new customers along County Rt. 73, Hog Lick Branch Road, Freeman Hill, Linn Hollow Road</i>	14-0957-W-CN	06/03/14	\$2,454,000	1,053	60	04/05/15
Union Williams PSD: <i>Water storage tanks improvement project</i>	14-1033-PWD-CN	06/13/14	\$1,915,000	3,066	None	01/23/15
Greater Harrison County PSD: <i>Extend water service in Country Club and Laurel Park (Phase II) and Booths Creek (Route 73) area</i>	14-1042-PSD-CN	06/17/14	\$23,455,000	2,081	750	Case Dismissed 03/05/15
City of Williamstown: <i>Construct improvements to existing system</i>	14-1610-S-CN	09/16/14	\$300,000	1,413	None	05/10/15
Clay Battelle PSD: <i>Water System Improvement Project and extension of service</i>	14-1696-PWD- CN	10/02/14	\$5,379,958	1,646	10	04/21/15
Meadow Creek PSD: <i>Wastewater extension and treatment plant replacement</i>	14-1848-PSD-CN	10/30/14	\$2,413,000	100	24	06/30/15
North Beckley PSD: <i>Stanaford Replacement Project</i>	14-1924-PSD-CN	11/20/14	\$3,007,040	3,612	None	04/17/15

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<b>Utility – Project</b>	<b>Case Number</b>	<b>Date Filed</b>	<b>Estimated Cost</b>	<b>Pre-Project Customers</b>	<b>Customers Added</b>	<b>Date Approved</b>
Town of Grantsville: <i>Improvements to existing sewer system</i>	14-1925-S-CN	11/20/14	\$1,200,000	337	None	03/11/15
Little Creek PSD: <i>Water system improvements, Clinton and Winfield Districts</i>	14-1969-PWD-CN	12/09/14	\$1,576,735	847	None	04/12/15
Green Valley Glenwood PSD and Bluewell PSD: <i>Upgrade Glenwood water treatment facility; install new intake structure at Dr. Dan Hale Reservoir</i>	15-0036-PWD-CN-PC	01/16/15	\$17,101,000	2,958	None	09/24/15
Wilderness PSD : <i>Modernize aging distribution system, increase storage, extend service to Whitewater Road</i>	15-0230-PWD-CN	02/13/15	\$2,562,682	2,033	9	06/11/15
Marshall County Sewerage District: <i>Construct sewer collection system; extend service to Mozart area.</i>	15-0245-PSD-CN-PC	02/20/15	\$5,460,000	727	224	07/26/15
Town of Harman: <i>Waterline extension</i>	15-0260-W-CN	02/24/15	\$5,935,000	99	200	10/15/15
City of Ripley : <i>Construct additions and improvements to current sewerage system</i>	15-0309-S-CN	03/03/15	\$13,695,500	2,247	None	06/29/15
City of Welch : <i>To construct upgrades to water plant and distribution system</i>	15-0319-W-CN	03/04/15	\$3,916,000	1,126	None	06/13/15
Cowen PSD: <i>Extensions and improvements to existing water distribution facilities</i>	15-0444-PWD-CN-PC	03/24/15	\$8,698,460	1,217	145	07/15/15
Town of Burnsville: <i>Improvements to water distribution system, new water tank, extend service to new customers</i>	15-0530-W-CN	04/06/15	\$4,510,063	216	85	07/30/15
Wellsburg Sanitary Board: <i>Additions and improvements to existing sewerage system</i>	15-0566-S-CN-PC	04/13/15	\$4,000,000	1,484	None	08/27/15
City of Shinnston: <i>Water system improvement project</i>	15-0592-W-CN	04/17/15	\$3,340,000	2,238	None	08/16/15
Craigsville PSD: <i>To service water customers in Tioga area</i>	15-0862-PWD-CN-PC	06/02/15	\$3,738,210	1,943	86	10/13/15
Marshall County PSD: <i>Additions and improvements to existing waterworks system</i>	15-0872-PWD-CN-PC	06/03/15	\$1,593,000	667	None	10/08/15
Shady Spring PSD: <i>Phase 2-A sewer extension to Ghent and Cool Ridge</i>	15-1071-PSD-CN	07/02/15	\$8,081,072	4,178	220	11/10/15
Greenbrier PSD No. 1 : <i>Extend existing collection system to Echols Acres and Houfnagle Road areas</i>	15-1133-PSD-CN	07/13/15	\$3,700,000	2,717	222	11/07/15
Lewis County EDA: <i>Additions and certain improvements; Enter into O&amp;M Agreement</i>	15-0891-W-PC-CN	06/05/15	\$3,556,000	882	35	12/18/15
Eastern Wyoming PSD: <i>Otsego/Pierpont/Maben waterline extension project</i>	15-1122-PWD-PC-CN	07/10/15	\$10,741,000	1,241	135	12/03/15
Mason Water Department: <i>Additions and improvements to waterworks system</i>	15-1390-W-CN	08/24/15	\$2,488,500	791	None	12/23/15
Eastern Wyoming PSD: <i>Bud/Alpoca waterline extension</i>	15-1410-PWD-CN	8/26/15	\$2,270,000	1,241	195	12/09/15

## **Municipal Appeals**

The Commission does not have direct jurisdiction over the economic regulation of rates charged by the water and sewer utilities operated by municipalities. Municipalities may change the rates they charge for water or sewer service by adopting rate ordinances without seeking prior Commission approval.

The Commission may invoke jurisdiction under W.Va. Code §24-2-4b, suspending the use of new rates adopted by a municipality, pending investigation, if the Commission receives a petition signed by not less than 25% percent of the customers within the utility’s municipal limits, or from a customer inside the city boundaries alleging discrimination between customers. Passage of Senate Bill 234 by the 2015 Legislature limits the Commission’s jurisdiction of Municipal Appeals to those municipal utilities with fewer than 4,500 customers or annual gross revenues under \$3 million.

In those instances, Commission Staff performs a full review of the utilities’ books and records, and makes recommendations for appropriate rate levels based on that review. A public hearing is held at which evidence is taken from the municipality, Commission Staff and any intervenors with regard to proper rate levels. Although areas of disagreement and issues of interest vary from case to case, they usually involve such matters as the proper level of ongoing operating expenses and the appropriate cash surplus to be built into rates to provide for adequate year-to-year capital additions. The Commission either approves the rates adopted by ordinance or sets rates at a different level, based on the evidence submitted.

Four water and sewer municipal appeal cases were completed in 2015. Those cases are summarized in the following chart.

Utility	Case Number	Ordinance Increase	Staff Recommended	Amount Granted	Percent Increase	Number of Customers	Date Approved
Town of Worthington	14-1941-W-MAR	\$31,620	\$8,369	\$8,369	5.1%	463	04/09/2015
Town of Harman	15-0960-S-MA	\$13,304	\$12,818	\$12,818	34.01%	97	10/15/2015
Town of Harman: Step 1	15-0961-W-MA	\$157,000	\$12,398	\$12,398	18.73%	97	10/15/2015
Town of Harman: Step 2	15-0961-W-MA	\$157,000	\$72,370	\$72,370 (upon completion of CN project)	63.17%	97	10/15/2015

**Public Water and Sewer Rate Cases**

During 2015, the Commission processed requests by various public service districts to increase rates and charges to meet increased costs of operation in the normal course of business. Passage of Senate Bill 234 by the 2015 Legislature limits the Commission’s rate jurisdiction over public service districts, to those utilities with fewer than 4,500 customers or annual gross revenues under \$3 million. Those water and sewer utilities under Commission jurisdiction with revenues in excess of \$1 million are required to file full financial support for their requested rates. Those proposed rates are published and Commission Staff undertakes a full review of the utility’s books and records.

Following its review, Staff recommends rates. If the utility does not object to Staff’s proposed rates, and if there is no significant public protest, Staff’s recommended rates may be approved without a public hearing. If the utility objects to Staff’s recommendation or if there is significant public protest, a hearing will be held.

Although areas of disagreement and issues of interest vary from case to case, they usually involve such matters as employee compensation and the appropriate cost level to be built into rates to provide for normal year-to-year capital additions.

Based on the evidence presented at the hearing in these cases, the Commission determines a reasonable level of rates. In 2015, there were nine cases completed in which the water or sewer utility filed full financial exhibits in support of its rate requests. Others are in progress. The completed cases are summarized below.

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent Increase	Number of Customers	Date Approved
Lubeck PSD	14-1102-PSD-42T	\$372,135	\$250,077	\$250,077	21.35%	2,290	01/16/15
Kanawha PSD	14-1930-PSD-42A	\$403,700	\$102,728	\$102,728	5.46%	2,954	08/27/15
Ohio County PSD	15-0485-PWD-42T-PC	\$572,736	\$248,942	\$248,942	7.83%	4,192	06/04/15
Midland PSD	15-0741-PSD-42A	\$117,831	\$12,879	\$12,879	2.49%	873	11/18/15
Malden PSD	15-1359-PSD-42T	\$256,810	\$9,630	\$9,630	0.59%	3,357	12/30/2015
Lavalette PSD	15-1780-PWD-42T			Case Withdrawn			Dismissed 12/2/2015
Raleigh County PSD: Step 1	15-0202-PWD-42A	\$240,732	\$331,008	\$331,008	11.90%	4,741	12/20/2015
Raleigh County PSD: Step 2	15-0202-PWD-42A	N/A	\$175,732	\$175,732	6.32%	4,741	12/20/2015
Pocahontas County PSD: Step 1	15-0701-PWD-42A	\$50,651	\$54,429	\$18,788	11.58%	252	12/14/15
Pocahontas County PSD: Step 2	15-0701-PWD-42A	N/A	\$54,429	\$8,311	5.12%	252	12/14/15
Midland PSD	15-0742-PWD-42A	\$199,942	\$114,045	\$114,045	16.83%	1,412	12/11/2015

### **Rule 19A Cases**

The Commission’s Rules permit smaller utilities with revenues of less than \$1 million to file for increased rates without supporting financial statements. In those instances, Commission Staff performs all of the requisite financial analyses required to establish appropriate rate levels. In most instances the utility does not request specific rates or a given level of increase. Staff files a report based on its review and recommends new rates for the utility. The utility is required to publish Staff’s recommended rates. If the utility objects to Staff’s recommendation or there is significant public protest, a hearing will be held.

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Typically, the issues in this type of case are relatively simple, and the utilities frequently do not object to Staff’s recommendation. Forty of these rate filings were completed in 2015. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent Increase/Decrease	Number of Customers	Date Approved
The Newell Company	14-1045-WS-19A	N/A	\$7,871 Water \$0.00 Sewer	\$7,871 \$0.00	1.75% 0.00%	643 Water 454 Sewer	05/18/15
Elkins Road PSD	14-1273-PWD-19A	N/A	\$45,502	\$45,502	9.51%	1,070	01/22/15
Cool-Ridge Flat Top PSD	14-1334-PWD-19A	N/A	\$54,833	\$54,833	6.47%	1,790	05/04/15
Short Line PSD	14-1375-PWD-19A	N/A	\$38,803	\$38,803	6.39%	1,166	02/15/15
Harpers Ferry- Bolivar PSD	14-1471-PSD-19A	\$79,487	\$23,773	\$23,773	6.41%	757	04/09/15
Clay-Roane PSD	14-1533-PWD-19A	N/A	\$25,402	\$25,402	3.52%	854	03/24/15
Wilderness PSD	14-1552-PWD-19A	N/A	\$86,508	\$86,508	10.46%	2,033	01/19/15
Hamlin PSD	14-1587-PSD-19A	N/A	\$18,883	\$18,883	8.90%	720	03/16/15
West Logan Water Company	14-1648-W-19A	N/A	\$7,489	\$7,489	4.17%	419	03/01/15
Kanawha Falls PSD	14-1815-PSWD-19A	N/A	Case Dismissed	N/A	N/A	N/A	01/13/15
Mountain Top PSD	14-1820-PSD-19A	N/A	\$11,902	\$11,902	9.12%	300	09/08/15
Washington Pike PSD	14-1882-PWD-PC-19A	N/A	\$62,364	\$62,364	12.8%	1,386	04/13/15
Marshall County PSD No. 1	14-1884-PWD-19A	N/A	\$44,493	\$44,493	11.18%	1,299	05/05/15
Webster Springs PSD	14-1913-PSD-19A	N/A	\$30,215	\$30,215	10.03%	647	05/31/15
Adrian PSD	14-1942-PWD-19A	N/A	\$72,285	\$72,285	7.3%	1,898	05/06/15
Branchland-Midkiff PSD	14-1956-PWD-19A	N/A	\$0.00	\$0.00	0.00%	1,213	06/10/15
Central Boaz PSD	14-1994-PSD-19A	N/A	\$62,085	\$62,085	21.90%	486	06/22/15
Paw Paw Route 19 PSD	15-0046-PWD-19A	N/A	\$80,077 Step 1 \$58,200 Step 2	\$80,077 \$58,200	25.40% 22.30%	542	08/17/15
Fountain PSD	15-0171-PWD-19A	N/A	\$23,440	\$23,440	11.7%	422	07/01/15
Coon’s Run PSD	15-0173-PWD-19A	N/A	\$16,655 Step 1 \$1,123 Step 2	\$16,655 \$1,123	8.1% 0.60%	416	11/08/15
Ellenboro-Lamberton PSD	15-0185-PSD-19A	N/A	\$54,339 Step 1 \$45,916 Step 2	\$54,339 \$45,916	73.14% 66.59%	171	08/16/15
Ellenboro-Lamberton PSD	15-0186-PWD-19A	N/A	\$23,497 Step 1 \$14,766 Step 2	\$23,497 \$14,766	13.92% 8.75%	232	09/29/15
Sugar Creek PSD	15-0187-PWD-19A	N/A	Stipulated to \$0	\$0.00	0.00%	585	09/08/15
Preston County PSD # 2	15-0253-PWD-19A	Case Withdrawn	N/A	N/A	N/A	N/A	04/13/15
Pleasants County Development Authority	15-0268-W-19A	N/A	Rates set to mirror Union Williams PSD	N/A	16.51%	N/A	06/23/15
White Oak PSD	15-0288-PSD-19A	N/A	\$66,266	\$66,266	19.49%	1,041	10/06/15
Minister’s Run Water Association	15-0359-W-19A	N/A	\$7,810	\$7,810	11.20%	147	08/25/15
East View PSD	15-0481-PSWD-19A	N/A	\$7,790 Water	\$7,790	9.44%	365	11/16/15
Brooke County PSD	15-0533-PSD-19A	\$78,180	\$23,393	\$23,393	3.59%	985	09/20/15
Grant PSD	15-0578-PWD-19A	N/A	\$20,283	\$20,283	5.1%	950	09/15/15
Harpers Ferry-Bolivar PSD	15-0640-PSD-19A	\$62,188	\$52,989 - Step1 \$30,888 - Step2	\$52,989 \$30,888	14.0% 8.0%	762	11/08/15
Town of Coalton (aka Town of Womelsdorff)	15-0672-W-19A	N/A	Case Dismissed	N/A	N/A	108	07/01/15
Hundred-Littleton PSD	15-0849-PSD-19A	\$21,238.17	\$9,962	\$9,962	8.5%	210	11/16/15
Prichard PSD	15-0881-PSD-19A	N/A	\$0.00	\$0.00	0.00%	194	11/12/15
Hodgesville PSD	14-2002-PWD-19A	\$59,061	\$54,060	\$54,060	9.42%	1,197	12/3/15
Huttonsville PSD	14-0590-PSD-19A	N/A	\$60,306	\$60,306	11.09%	1,169	11/30/15
Gauley River PSD Step 1	15-0047-PWD-19A	N/A	\$100,851	\$100,851	9.02%	1,361	11/24/15

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent Increase/Decrease	Number of Customers	Date Approved
Gauley River PSD Step 2	15-0047-PWD-19A	N/A	\$78,447	\$78,447	7.02%	1,361	11/24/15
Greater Marion PSD	15-1143-PSD-19A	N/A	\$0	\$0	\$0	422	12/10/15
Century Volga PWD Step 1	15-1155-PWD-19A	N/A	\$129,669	\$129,669	20.93%	1,020	12/30/15
Century Volga PWD Step 2	15-1155-PWD-19A	N/A	\$44,983	\$44,983	6.39%	1,020	12/30/15
Washington Pike PWD	15-1549-PWD-19A	Case Withdrawn	N/A	N/A	N/A	1,388	12/14/15

### **Rule 30B Pass-Through Cases**

The Commission’s Rules permit smaller water and sewer utilities that purchase finished water for resale from another water utility or that have the sewage they collect treated at a plant operated by another utility to file to recover increases on an expedited basis in resale rates charged to them. This type of filing allows the purchasing utility to increase rates to its customers only enough “to make them whole” for the increased cost of purchased water or sewage treatment services provided by the other utility. The utility is required to publish the new rates and to provide an opportunity for public protest.

Typically, there is no dispute between the utility and Commission Staff as to the correct amount by which to increase rates to allow recovery of increased costs, no significant public protest is received and the rates are approved without the need for public hearing. If unusually high levels of unaccounted for or lost water are discovered during Staff’s review, the Commission may require the utility to determine the causes of the high water loss, develop a remediation plan and report the results of steps taken prior to approving the interim rate increases as final rates. Fourteen of these 30B pass through rate filings were completed in 2015. Those cases are summarized below.

Utility	Case Number	Staff Recommended	Amount Granted	Percent Increase	Number of Customers	Date Approved
Mineral Wells PSD	14-1178-PWD-30B	Case Dismissed	N/A	N/A	2,456	09/01/15
Hutchinson Community Water Association	14-1229-W-30B	\$2,615	\$2,615	11.60%	152	03/24/15
Bingamon PSD	14-1473-PWD-30B	\$19,734	\$19,734	16.05%	559	07/09/15
Grant PSD	14-1865-PWD-30B	\$1,879	\$1,879	1.76%	904	07/30/15
Bingamon PSD	14-1926-PWD-30B	\$17,052	\$17,052	12.66%	559	07/09/15
Mount Zion PSD	14-1948-PWD-30B	\$28,532	\$28,532	23.25%	564	07/10/15
New Creek Water Association, Inc.	15-0044-W-30B	\$84,484	\$84,484	15.72%	1,346	08/07/15
Cool Ridge-Flat Top PSD	15-0207-PWD-30B	\$37,474	\$37,474	6.47%	1,791	09/21/15
Central Hampshire PSD	15-0791-PSD-30B	\$58,944	\$58,944	7.59%	755	07/22/15
Berkeley County Public Service Sewer District	15-0829-PSD-30B	N/A	N/A	N/A	20,859	Dismissed Lack of Jurisdiction SB 234 06/03/15
Pleasant Hill PSD	15-0472-PWD-30B	\$38,552	\$38,552	23.13%	673	12/03/15
Gallipolis Ferry Water Association	15-0611-W-30B	\$1,815	\$1,815	18.86%	420	12/22/15
Gallipolis Ferry Water Association	15-0751-W-30B	\$42,049	\$42,049	32.40%	420	12/22/15
Midland PSD; Step 1	15-1167-PWD-30B	\$107,000	\$107,000	42.90%	1,417	12/11/15
Midland PSD; Step 2 (Post Project)	15-1167-PWD-30B	\$527,457	\$527,457	147.9 %	1,417	12/11/15

## **Seminars**

The Commission's Water and Wastewater Division hosted nine seminars covering a wide variety of topics and attended by over 221 representatives of utilities in 2015.

West Virginia Code (Chapter 16, Article 13A) requires newly-appointed public service district board members to complete the Public Service District Board Members Seminar within six months of taking office. This seminar is presented by the Commission in conjunction with the Department of Environmental Protection and the Bureau for Public Health and provides a general overview of areas, including regulatory requirements, administrative issues, project financing, legal requirements, liability, technical items, ethics, open meetings and financial information. In 2015, PSD Board Member Seminars were held in both South Charleston and Morgantown and were attended by 54 participants.

In addition to the Board Members Seminars, the Commission Staff presented seven focused subject seminars on personnel issues, termination/customer service/office procedures, safety, basic accounting and municipalities/associations. In 2015, a total of 167 attendees participated in these seminars.

The two Safety Seminars emphasized the importance of safety in the workplace and provided attendees the opportunity to learn more about excavation, trenching, confined spaces, fall protection, driving safety and material handling. Participating water and wastewater plant operators earned seven Continuing Education Hours required for their Operator's License. These seminars are appreciated by participants and important for utility personnel and management as they seek to reduce lost time accidents. The seminars were sponsored by the Commission and taught by safety specialists with Brickstreet Insurance and Staff from the Commission's Engineering Division.

The Commission continues to provide one-on-one, on-site assistance for individual utilities in order to address particular areas of interest such as preparing and submitting annual reports and on-site training for multiple areas of regulation.

Staff gave a presentation at the West Virginia Rural Water Association's Annual Conference in 2015. The presentation was titled "Office Employee Refresher on PSC Requirements" and discussed a wide variety of topics, including customer deposits, leak adjustments, termination procedures, deferred payment plans and Commission Rules. This presentation was also well received by utility personnel in attendance.

Staff also gave presentations at the Government Finance Officers Association Annual Conference on Senate Bill 234 and at the Regional Planning and Development Councils Annual Conference on IJDC Financial Reviews and PSC Certificate Process. In addition, Staff gave presentations on water conservation and efficiency at Chamberlain

Elementary School and the Morris Enrichment Center in Kanawha County and Fairplains Elementary School in Jackson County to celebrate the Environmental Protection Agency's Fix-A-Leak-Week.

Staff continues its efforts to begin providing online training experiences. Testing of the first online training seminar "Water and Wastewater Calculations and Adjustments" is currently taking place. Four additional topics have been identified for future training programs: "Understanding Your Utility Tariff", "Alternate Main Line Extensions", "Basic Accounting", and "Utility Cases". Having these courses online will allow operators to fulfill their continuing education requirements in a cost effective and timely manner.

### **Telecommunications**

#### **Lumos Networks, LLC and Lumos of West Virginia, Inc. v. Frontier of West Virginia Inc.**

On April 9, 2015, Lumos Networks, LLC and Lumos of West Virginia Inc. (Lumos) filed a Formal Complaint including a request for Interim Relief against Frontier West Virginia, Inc. (Frontier) (Case No. 15-0551-T-C). Lumos alleged it submitted a pole attachment request to Frontier and American Electric Power (AEP) for a project in Nicholas County, West Virginia. Frontier provided Lumos with a cost estimate for the make-ready work for the project and Lumos paid \$47,000. Lumos notified Frontier it would perform the work itself through the self-help remedy provided under federal regulations. Lumos performed the work associated with the fiber strands and other outside plant activities necessary to meet the customer commitment. While completing its work for this project, Lumos alleged that its personnel discovered crews from Frontier removing Lumos' equipment from both its poles and poles belonging to AEP and FirstEnergy on April 7, 2015. Lumos requested the Commission issue an Order granting Interim Relief and ordering Frontier to do the following: (i) cease and desist from cutting down Lumos' facilities; (ii) allow Lumos to reattach those fiber strands and hardware that have been improperly removed; (iii) refrain from further interference with Lumos' self-help activities going forward; (iv) require Frontier to reimburse Lumos for any and all costs associated with the reattachment of its fiber strands and hardware that have been improperly removed; and (v) provide any other relief that the Commission deemed just and proper.

On April 13, 2015, the Commission entered an Order directing Frontier to cease and desist from continuing to disconnect Lumos' facilities in Nicholas County from both its own poles and poles owned by AEP and FirstEnergy until further order of the



Commission. The Commission also ordered Frontier to either allow Lumos to reattach the facilities removed by Frontier or to reattach the equipment itself.

From May through July 2015, Lumos, Frontier and Staff made various filings with the Commission. On November 2, 2015, Frontier filed a letter stating that it was authorized to inform the Commission that Lumos and Frontier agreed to dismissal of this Complaint, without prejudice. On November 13, 2015, the Commission entered a Final Order dismissing this matter, without prejudice, based on the agreement of both parties.

Citynet West Virginia, LLC v. Frontier West Virginia, Inc.

On July 21, 2014, Citynet West Virginia, LLC (Citynet) filed a formal complaint against Frontier West Virginia, Inc. (Frontier) alleging violations of the parties' interconnection agreement (ICA) and anti-competitive behavior (Case No. 14-1295-T-C). Frontier had denied Citynet's requests for dark fiber from Clarksburg to Elkins, Clarksburg to Philippi and in the Charleston area. Frontier also refused to provide maps as requested by Citynet. Citynet requested that Frontier be ordered to provide Citynet with the existing engineering maps for the requested routes and to provide the requested dark fiber facilities. Citynet requested the Commission commence a general investigation into Frontier's practices in the leasing of dark fiber to competitive carriers.

The Commission denied Citynet's motion to open a general investigation and referred the matter to an Administrative Law Judge. An evidentiary hearing was held on April 10, 2015.

On July 29, 2015, a Recommended Decision was filed that required Frontier to provide Citynet access to route and plate maps, train critical employees on dark fiber requests and lease two dark fibers to Citynet on both the Clarksburg-Philippi and Clarksburg-Elkins routes, but did not require Frontier to lease dark fiber between 816 Lee Street and 233 Virginia Street in Charleston. Frontier filed exceptions to the decision on August 13, 2015.

On December 8, 2015, the Commission issued a Final Order on Frontier's exceptions. The Commission ruled that Citynet's request was based on a need for telecommunications services, rather than broadband. The Commission concluded it did not need to determine whether the Federal Communications Commission's Net Neutrality Order requires Frontier, as the incumbent local exchange carrier (ILEC), to unbundle its facilities for broadband; that would be a decision for appellate proceedings in Federal Court. The Commission held that Frontier must provide Citynet with two dark fibers on both the Clarksburg-Phillippi and Clarksburg-Elkins routes and that Citynet may only access maps authorized by the ICA. This case is now closed.

General Investigation Regarding the Use of Federal Universal Service Funding by Eligible Telecommunications Carriers

On April 7, 2014, the Commission initiated a General Investigation regarding the use of Federal Universal Service Funding by Eligible Telecommunications Carriers (ETC) in West Virginia (Case No. 15-0528-T-GI). The Federal Communications Commission (FCC) requires each state to certify that all high cost funds flowing to rural and non-rural carriers in that state are used in accordance with Section 254(e) of the Telecommunication Act of 1934.

An Administrative Law Judge issued a Recommended Decision on August 17, 2015, directing certification be issued to the FCC and Universal Service Administration Company (USAC) stating that the carriers appropriately utilized federal high-cost and other universal service support. The Recommended Decision became a Final Order of the Commission on September 6, 2015.

Alpha Technologies, Inc.

On August 7, 2015, Alpha Technologies, Inc. (Alpha) applied for a Certificate of Public Convenience and Necessity authorizing it to provide telecommunication services in the State of West Virginia (Case No. 15-1307-T-CN). Alpha also requested expedited treatment of its application.

Alpha plans to build a \$5 million, 30 mile underground fiber-optic loop through the commercial centers of downtown Charleston, Kanawha City and South Charleston. The proposal calls for fiber to run past the Charleston Civic Center, five hospital centers, the city's largest office towers and numerous state government buildings. The line will be capable of providing businesses along that route with a gigabit connection, 100 times faster than the average broadband speed.

On September 30, 2015 an Administrative Law Judge issued a Recommended Decision granting Alpha's Certificate. This case is now closed.

Tower Access Assistance Fund

The Tower Access Assistance Fund started 2015 with a balance of \$835,044.64. An application submitted in 2014 by Hardy County was awarded a grant of \$488,665 on January 6, 2015 (Case No. TAF Hardy 14A).

Four counties submitted applications for funding from the Tower Access Assistance Fund by the November 15 deadline and were considered at the December 15,

2015 Wireless Tower Access Assistance Fund Review Committee (WTAAFRC) meeting. Mineral County was awarded a grant for \$600,260 (Case No. TAF Mineral 15A) and Nicholas County was awarded a grant in the amount of \$477,592 (Case No. TAF Nicholas 15A). The request by Jackson County for \$537,004 (Case No. TAF Jackson 15A) was tabled until the January 26, 2016 meeting. An application from Boone County (Case No. TAF Boone 15A) was denied due to insufficient information in the application.

A total amount of \$1,566,517 was dispersed in 2015, leaving a balance on December 31, 2015, of \$465,478.23.

### **Transportation**

After its inception in 2003, the Coal Resource Transportation System (CRTS) has significantly increased public safety while allowing West Virginia coal producers to efficiently transport coal in nineteen West Virginia counties and into surrounding states. Coal facilities and transporters now work together to haul enhanced weights on 2,192 miles of West Virginia's roads designated by the West Virginia Department of Highways as CRTS routes. Coal operations and transporters operating on designated CRTS roads must adhere to additional reporting and permitting statutes and regulations, and are subject to administrative sanctions by the Commission.

Notices of Violation are initiated through audits conducted by CRTS supervisors and inspectors or by uniform traffic citations issued by Enforcement Officers. In 2015, there were 182 Notices of Violation issued, one Petition for Temporary Waiver was processed and the Commission collected \$210,903 in payment of CRTS violations, an increase over 2014.

Also in 2015, the CRTS Permitting Unit issued 1,348 CRTS permits and registered 204 transport companies in five states. The CRTS Reporting Unit currently has 162 registered mines, processing plants, load outs, power plants and other coal facilities operating in West Virginia and reporting coal shipments to the Commission. These shipping and receiving points submit daily electronic files to the Commission, including unique tracking information for approximately 1.65 million transactions over the past 12 months, representing 712,000 loads and approximately 2.62 million tons being transported over CRTS roads. Each transaction contains the origin, destination, date, time, weight, permit ID, and a unique transaction number for that specific shipment of coal. Records are forwarded to the CRTS Auditing Program within the Reporting Section and are reviewed by Transportation Administration Staff to detect non-compliance. Commission Staff conducts onsite inspections and audits and is responsible for initiating administrative violations to companies.

While continuing to work to increase safety enforcement for commercial motor vehicles on interstate highways and heavily traveled roadways, the Commission's Transportation Enforcement Division regularly partners with Commercial Vehicle Safety Alliance (CVSA) and the Federal Motor Carrier Safety Administration (FMCSA) in efforts to reduce commercial vehicle and passenger carrier incidents. In 2015, Commission Officers worked with FMCSA on special initiatives throughout the state, including conducting the Annual Non-Stop 72 Hour Road Check, participating in Brake Safety Week, Operation Safe Driver and increasing the number of bus inspections.

Commission Transportation Enforcement Officers also teamed up with the Governor's Highway Safety Program in an effort to raise awareness and increase seatbelt use in commercial motor vehicles and passenger vehicles through a "Click It or Ticket" campaign. The initial blitz occurred in November 2015 and there will be three additional blitzes during 2016.

The Manager in the Public Service Commission Transportation Enforcement Division, and twelve other officials from around the country, continue to participate in developing new materials for the national Compliance, Safety and Accountability (CSA) Program. The program is used by FMCSA to measure motor carrier and driver performance and to hold motor carriers and drivers accountable for their role in highway safety. It allows drivers to check a company's safety records prior to seeking employment, while allowing companies to have access to a driver's safety record prior to hiring. The new materials being developed for the program will give commercial motor vehicle drivers instant online access to current safety rules and regulations as well as FMCSA's newly implemented Safety Measurement System, including information about violations and penalties. This will help both drivers and Enforcement Officers to ensure full compliance during roadside inspections. In addition, it will give both the companies and drivers an opportunity to appeal violations.

One of the Commission's Weight Enforcement Officers has assisted with the Firearms Training during Basic and Cadet Classes at the West Virginia State Police Academy at least five times during the past year. This is one of the many coordinated activities our agency has with the State Police. Other activities include DUI checkpoints, combined patrols on the West Virginia Turnpike and the recently initiated combined effort on I-64 in Kanawha, Putnam and Cabell counties to reduce the number of accidents. Commission Transportation Enforcement Officers work with the counties and municipalities on local DUI, seatbelt and speed control activities in coordinated joint efforts to reduce accidents and fatalities on West Virginia highways.

The West Virginia Department of Motor Vehicles was awarded \$4,960,000 in grant funds from FMCSA for the Commercial Vehicle Information and Systems Network (CVISN). The Commission is a sub-grantee to the DMV for the purpose of enhancing the I-64 eastbound weigh station, making it a state-of-the-art facility and purchasing two

Smart Roadside Inspection Stations (IRIS Vans) and mobile radios. In addition, the Commission was awarded \$275,000 from the FMCSA Performance and Registration Information Systems Management (PRISM) program to purchase ultra-high band radios for use during the roadside inspection process, which will aid in mobile enforcement and improve identification and immobilization of “out-of-service” carriers during the roadside inspection. These radios will enable our Enforcement Officers to perform necessary checks at the roadside and, given West Virginia’s rural terrain, provide an additional level of checking capability when air-card technology is not accessible. The state-of-the-art facility and the mobile inspection sites will provide real-time exchange of data, enabling the removal of unsafe vehicles, drivers and companies from West Virginia’s roadways, while enhancing safety for our Enforcement Officers throughout the State of West Virginia.

In 2015, the Commission’s Railroad Safety inspection program was rated the sixth best in the nation by the Federal Railroad Administration. The inspectors conducted 935 inspections on 71,807 units (including miles of track, switches, railcars, locomotives, grade crossing signals, etc.) and discovered 2,452 defects.

### **Motor Carrier and Solid Waste Rate Cases**

#### **Motown Taxi, LLC**

On January 5, 2015, Motown Taxi LLC (Motown Taxi) filed an application for a certificate of convenience and necessity to provide certain taxi, limousine and specialized limousine services in eleven West Virginia counties (Case No. 15-0009-MC-C). Motown Taxi proposed rates for each mode of transportation. Morgantown Cab Company, Inc. dba Yellow Cab (Yellow Cab); R&R Transit, LLC (R&R Transit); D&L Limousine (D&L); JCC, LLC, dba JCC Transportation Services (JCC); G&B Transportation, LLC (G&B Transportation); and Mountain State, Inc. (Mountain State) all petitioned to intervene, stating they were existing service providers in all or portions of the proposed territory.

Evidentiary hearings were held on May 1, 2015, and May 14, 2015. At the second hearing, Motown Taxi agreed to withdraw its request to provide limousine service in three counties and reaffirmed its intent to withdraw the request for specialized limousine service. Based on the modifications presented by Motown, two of the intervenors, R&R and JCC, withdrew their protests to the limousine portion of the certificate application.

On July 12, 2015, the Administrative Law Judge issued a Recommended Decision granting Motown Taxi a certificate of convenience and necessity, concluding that Motown Taxi had demonstrated that Yellow Cab provides inadequate taxi service

pursuant to West Virginia Code § 24A-2-5 and that there is a need for another taxi provider in Morgantown, West Virginia. On July 30, 2015, Yellow Cab filed Exceptions to the Recommended Decision.

On November 23, 2015, the Commission issued a Final Order, denying Yellow Cab's Exceptions, adopting the July 12, 2015 Recommended Decision as its Final Order, and determining that Motown Taxi had demonstrated that Yellow Cab was providing inadequate services in Morgantown. The Commission also found that Motown Taxi had demonstrated its financial ability, experience and fitness to provide the proposed taxi service. The Commission based its decision on the evidence from a broad range of witnesses in the community who testified to extraordinary wait times for cabs and cabs that never arrived at all.

### C&H Company

On October 2, 2015, C&H Company, a Commission-certified taxi company operating as a common carrier by motor vehicle under W. Va. Code § 24A-2-5, filed a Petition with the Commission to establish a three-year pilot program, the Service Accountability Flexibility Experiment (SAFE) (Case No. 15-1617-MC-P). This pilot program seeks flexibility for C&H, and other Commission-certified taxi companies, to (i) have the ability to increase rates up to a maximum of 5% as often as every 90 days as long as the aggregate increase does not exceed 10% in a twelve-month period; (ii) track trips electronically in lieu of a paper manifest; (iii) impose new fees, including a no show/cancellation fee, a hazardous weather fee, a premium service rate, a night and weekend rate, a destination change rate, an airport service rate and a multi-stop rate; (iv) that rates would no longer be required to be posted on the outside of the vehicle, rather they would be posted on the inside. C&H also seeks to expand its motor carrier fleet to include personal vehicles driven by the owner of the vehicle, as long as certain registration and safety requirements are met. This case is pending before the Commission.

### Fuel Surcharges

The Commission continues to respond to the volatility of fuel costs for motor carriers by reviewing and adjusting, as needed, fuel surcharges that remain in effect today for regulated motor carriers. This series of surcharges was initiated in M.C. General Order No. 56.4 (Reopened) in March 2004 following a dramatic increase in fuel prices from previous levels. The most recent surcharges are based on forecasted fuel prices for the period of January 1, 2016, through June 30, 2016.

The average price per gallon for unleaded regular gasoline is forecasted to be \$2.36 and the price of diesel is forecasted to be \$2.68. This forecast reflects substantial reductions of \$0.26 per gallon for regular grade gasoline and \$0.45 per gallon for diesel fuel. Commission Staff concluded that these forecasted changes were significant compared to the cost to motor carriers that have to reprogram computers for billing purposes and for taxi cabs that have to reprogram meters to reflect changes. The Commission decreased the existing surcharges.

The authorized surcharges have been reduced to the 4% range for most motor carriers, down from 5%. The surcharge for taxi and limousine operators was reduced to 9.97% from 11.29%. Fuel prices are reviewed every six months to determine if there is a need for relief for eligible motor carriers. The surcharges are not automatic. Eligible motor carriers may not charge the old surcharge after it has expired and may not implement a new surcharge until and unless they have filed a Fuel Surcharge Supplement to their tariffs with the Commission Tariff Office.

### Formal Complaints

In 2015, 100 motor carrier complaint cases were filed with the Commission. Of these cases, 41 involved solid waste haulers, with 23 having been completed with Final Orders issued and 18 awaiting final adjudication. There were 50 cases involving towing companies, 28 of those have been completed with Final Orders issued. There were three household goods hauler cases filed with the Commission and all three have been completed with Final Orders. The remaining six cases involved taxi related complaints. Of these, four have been completed with Final Orders issued and two are pending before the Commission.

### Informal Complaints

When contacted by ratepayers, Staff investigates and resolves informal complaints involving the motor carriers that the Commission regulates. Most informal complaints are lodged against solid waste haulers and involve missed pickups. Because of the harsh 2014-2015 winter, many haulers missed multiple weeks of trash service. Commission Staff coordinated special arrangements with the haulers to accommodate the needs of those ratepayers. The Commission also receives a large number of complaints about towing companies, primarily involving rates and charges the vehicle owners are billed or whether the towing company should have towed the vehicle.

Motor Carrier Rate Cases

In 2015, 35 applications to increase rates were completed by the Commission. Of those cases, sixteen cases were filed under the Commission’s Rule 42 and the remaining nineteen cases under the Commission’s Rule 19. Those cases are summarized below.

Utility	Case Number	Requested Increase	Staff Recommended	Amount Granted	% Increase	Customers	Date Approved
Martin Sanitation, Inc.	14-1376-MC-19A	No Specific Amount Requested	Residential \$7,280 Commercial \$3,199	Residential \$7,280 Commercial \$3,199	2.34%	15,978	02/23/15
Smallwood Sanitation Co., Inc.	14-1435-MC-19A 14-1436-MC-19A 14-1437-MC-19A 14-1438-MC-19A 14-1439-MC-19A 14-1440-MC-19A	Dismissed at request of Applicant	N/A	N/A	N/A	N/A	02/03/15
Michael Taylor, dba Quality Sanitation Service	14-1802-MC-19A	Residential \$19,292 Commercial \$5,056	Residential \$52,531 Commercial \$13,766	Residential \$52,531 Commercial \$13,766	Residential 16.40% Recycling 16.40%	Residential 1,750 Commercial 74	03/24/15
Starck Van Lines, Inc.	14-1842-MC-19A 14-1843-MC-19A	Per hour: Driver \$14.95 Labor \$2.67 Labor Supervisor \$1.07	Per hour: Driver \$14.95 Labor \$2.67 Labor Supervisor \$1.07	Per hour: Driver \$14.95 Labor \$2.67 Labor Supervisor \$1.07	6%	N/A	05/18/15 Reopen - 09/15/15
Morgan Sanitation, Inc.	14-1973-MC-42A	Residential 26.87% \$234,962 Commercial 27.02% \$60,572	Residential \$177,824 Commercial \$45,585	Residential \$177,824 Commercial \$45,585	20.33%	Residential 3818 Commercial 388	05/20/15
Allied Waste of North America, LLC, dba Republic Services of West Virginia	14-2010-MC-42A 14-2011-MC-42A 14-2012-MC-42A 14-2013-MC-42A 14-2014-MC-42A	Residential \$1,016,227 or 40.21% Commercial \$3,196,292 or 40.21%	Residential \$257,315 or 10.18% Commercial \$809,320 or 10.18%	Residential \$257,315 Commercial \$809,320	10.18%	148,895	07/27/15
Martyn’s Service, Inc.	15-0012-MC-19A 15-0013-MC-19A 15-0014-MC-19A	Residential \$236,206	Residential - \$234,238 Commercial \$42,523	Residential - \$234,238 Commercial \$42,523	5.31%	9948	07/14/2015
McKean & Burt, dba All Ways Moving & Storage	15-0167-MC-19A	Documents Restricted	N/A	N/A	N/A	N/A	08/19/15
Smallwood Sanitation Company, Inc.	15-0351-MC-19A 15-0352-MC-19A 15-0353-MC-19A 15-0354-MC-19A 15-0355-MC-19A 15-0356-MC-19A	Application Dismissed at request of Applicant	N/A	N/A	N/A	N/A	07/06/15
Williams Holding, LLC, dba Williams Transport	15-1398-MC-19A 15-1399-MC-19A 15-1400-MC-19A 15-1401-MC-19A	Dismissed: Gross revenues are above the dollar threshold	N/A	N/A	N/A	N/A	10/08/15
Preston Sanitation, Inc.	15-1448-MC-19A	Dismissed: Gross revenues are above the dollar threshold	N/A	N/A	N/A	N/A	10/09/15



## **Solid Waste Facilities/Landfills**

The Commission Staff continues to build a strong working relationship with the West Virginia Department of Environmental Protection (DEP), the Solid Waste Management Board and West Virginia State Treasurer's Office in an ongoing effort to provide consistent recommendations that conform with the requirements of other agencies' rules and regulations as well the Commission's rules and regulations.

### **Nicholas County Solid Waste Authority**

On June 23, 2015, the Nicholas County Solid Waste Authority (Authority) filed an application, pursuant to W. Va. Code § 24-2-1c, for a certificate of need to expand the Nicholas County Landfill (Case No. 15-0993-SWF-CN). The Authority serves approximately 7,900 customers and receives an average of 1,850 tons of waste per month. The Authority has an annual tonnage limitation of 9,999 as permitted by the Division of Environmental Protection. At the current average monthly disposal rate, the landfill will reach full capacity near the end of 2019. The Authority owns approximately 111 acres of property and proposes to build a new cell for solid waste disposal using approximately twelve acres in this area to continue solid waste service for the citizens of Nicholas and surrounding counties. This expansion will provide an additional 25.8 years of disposal life.

On July 8, 2015, the Authority indicated it would also be filing a request to increase its rates. On September 21, 2015, the Authority filed a request to toll the statutory deadline for 90 days and also for an extension of the Administrative Law Judges due date by 90 days. The requested extensions were granted by the Commission.

On December 18, 2015, the Authority filed a request to withdraw its request to increase rates. This case is pending before the Commission.

## **Tow Operations**

In 2009 the Commission issued an Order in connection with its General Investigation into various aspects of wrecker regulation (Case No. 06-1915-MC-GI). The Commission Staff and the West Virginia Towing Association entered into a stipulation agreement that was adopted by the Commission. Among the issues in that case were the implementation of a new statewide maximum wrecker rate tariff, Commission Rules concerning invoice requirements and clarification of the Commission's authority regarding the definition of "third party" or "non-consent" tows.

The Commission has continued to process tow cases, which are expedited rate increase reviews based on market comparisons, as well as “third party” or “non-consent” tow formal complaint cases filed by customers.

In 2015, seventeen tow cases were filed with the Commission. Of these seventeen cases, twelve have been completed with Final Orders issued.

### **Rulemaking Proceedings**

#### **Rules Governing Motor Carriers, Private Commercial Carriers and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers**

On October 24, 2014, the Commission issued an Order proposing amendments to the Commission Rules Governing Motor Carriers, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers, (Motor Carrier Rules) 150 C.S.R. 9, requiring passenger carrying vans to be equipped with a device to properly secure any items that could become projectiles and harm passengers (MC GO 64.4).

Motor Carrier Rule 4.1 will be modified to include:

4.1.b. Passenger carrying vans regulated by the Commission must be equipped with a device to secure any item that could become a projectile, including but not limited to, carry-on luggage, tools, tires, jacks or like items.

The Commission established a comment period and ordered statewide notice by publication. The Commission did not receive comments or a specific written request for a hearing. The Commission proceeded with promulgation of the final amendment of Motor Carrier Rule 4.1 on July 14, 2015. The effective date of the newly-promulgated rules was September 12, 2015.

#### **Rules and Regulations for the Government of Telephone Utilities**

On January 7, 2015, the Commission issued General Order No. 187.44, in the matter of proposed amendments to the Rules and Regulations for the Government of Telephone Utilities, 150 C.S.R. Series 6, following the conclusion of the General Investigation into Directory Distribution Requirement of Telephone Rule 2.6.a. (Case No. 13-1376-T-GI), that investigated the continuing need for local exchange carriers (LECs) to annually distribute printed telephone directories to customers as required under

Telephone Rule 2.6.a. The Commission established comment periods in both proceedings and received numerous public comments.

Through the General Investigation and the Rulemaking proceedings, the Commission found support for the rule amendments because the circumstances that originally justified Telephone Rule 2.6.a had changed markedly over time, reducing the continued need for distribution of printed telephone directories by LECs to all customers. A majority of West Virginia telecommunications customers are now wireless, with incumbent carriers serving less than one quarter of West Virginia lines in 2011. Wireless customers are not listed in printed telephone directories and wireless carriers are not required to provide a printed directory under Telephone Rule 2.6.a. Thus, a majority of West Virginia telecommunications consumers have decided to adopt a service that does not include a printed directory. The need for printed directories is also undercut by the availability of alternative means for obtaining telephone directory information, including online resources and third parties distributing printed directories. A telecommunications customer can access online resources through either a broadband connection at home or often through a smartphone. These services have often supplanted the use of printed directories by many telecommunications customers. Many customers also receive unsolicited printed directories by mail from third party advertisers that provide similar information to the printed directories provided by LECs.

In their Final Order in G.O. 187.44, issued on July 2, 2015, the Commission adopted an amended Rule 2.6.a. of the Rules for the Government of Telephone Utilities, 150 C.S.R. 6 (Telephone Rules) that allows LECs of telecommunications services the option to transition from distribution of printed directories to all customers to providing an online telephone directory. The new rule requires a transition period during which each LEC will provide advance notice to customers of a switch to an online directory. Any customer who prefers a printed directory may opt-in and continue to receive one. A prominent notice must appear on the cover pages of the final fully distributed printed directories that describes the transition and gives instructions of how to request a printed copy of a directory. A similar notice will be required on each carrier's internet website. In addition, new Telephone Rule 1.7.p. adds a definition of the term "Directory" to encompass printed and internet-based documents that will be produced by LECs on an annual basis. The rule amendments took effect on August 31, 2015.

### Rules Governing Certification and Operation of Telecommunication Relay Service

Telecommunication Relay Service (TRS) is a telephone service that allows persons with hearing or speech disabilities to place and receive telephone calls. On December 18, 2013, Sprint Communications Company, L.P. petitioned the Commission to amend the Commission's Rules Governing Certification and Operation of Telecommunication Relay Service, 150 C.S.R. Series 21 to, among other things, extend

the current TRS certificate term of 18 months to a five-year term. On August 8, 2014, the Commission initiated a General Investigation regarding Sprint's proposal to revise the TRS Rules (Case No. 13-1833-T-GI). Comments were filed on the proposed TRS Rules by Staff, Sprint and Hamilton Relay Services. On January 15, 2015, the Commission closed the General Investigation in favor of a forthcoming rulemaking to promulgate revised TRS Rules.

The Commission opened a rulemaking case to revise the TRS Rules on March 18, 2015 (General Order No. 250.1). Comments to the proposed TRS Rules were filed by Staff, Sprint and Hamilton Relay Services. On September 14, 2015, the Commission issued an Order promulgating revised TRS Rules to be effective November 17, 2015. The major revisions included issuance of a single TRS Certificate for a five-year term, rates are to be effective for a minimum of three years and annual provider reports are to be sent to Public Service Commission Staff. This case is now closed.

## **VI. The Courts**

### **State Circuit Court**

*State of West Virginia, ex rel. The Public Service Commission of West Virginia, v. Cliffside Owner's Operating Association, Inc., a public sewer utility doing business in Kanawha County, West Virginia.* Kanawha County Circuit Court Case No. 07-MISC-192.

The Circuit Court of Kanawha County placed the Cliffside Owner's Operating Association in the receivership of the City of South Charleston Sanitary Board (SCSB) through an Order entered April 18, 2007. Prior to the Commission's actions, the Cliffside system was abandoned by its management and its facilities deteriorated to the point where its facilities failed and flooded nearby properties with raw sewage. SCSB completed many necessary repairs and upgrades. SCSB also began billing and collecting sewer fees from the Cliffside customers, providing the system with needed revenues. No formal complaints have been filed against the Cliffside system since SCSB assumed receivership. Both the Commission and SCSB appear before the Court for bi-annual status conferences.

On February 21, 2012, the Commission entered a Final Order granting SCSB's petition for consent and approval to formally acquire ownership of the abandoned Cliffside utility assets, as required by W. Va. Code § 24-2-12 (Case No. 11-1695-S-PC). The Commission's Order commended SCSB for its exemplary conduct as a receiver of the Cliffside system. The parties continued to work toward the ultimate transfer of the system to SCSB. At a hearing held November 12, 2014, the Commission asked the Court to end the receivership and transfer the Cliffside customers and assets, including real property, to SCSB consistent with W. Va. Code § 24-2-7(b).

The Court entered an Order on January 8, 2015, finding it in the best interests of the public and the customers of the Cliffside system to transfer all the assets of the defunct Cliffside Owner's Operating Association to the SCSB. Through the same Order, the Court appointed a Special Commissioner as a receiver for the purpose of authorizing all documents necessary to perfect the transfer of the Cliffside assets. The Cliffside assets were transferred to SCSB, as documented in a filing with the Court. On April 20, 2015, the Court entered a Final Order that terminated the appointment of the Special Commissioner and the receiver and dismissed this matter. This matter is now successfully resolved.

## **Supreme Court of Appeals of West Virginia**

1. *Allied Waste Services of North America, LLC, dba Republic Services of West Virginia v. Public Service Commission of West Virginia*

On November 1, 2013, Allied Waste Services of North America, LLC dba Republic Services of West Virginia (“Allied”) filed two separate applications seeking Tariff Rule 30E relief for increases in tipping fees at the Mountaineer Transfer Station. The first application covered solid waste hauled under Certificate Nos. F-4865 and F-4879 (hereinafter “Application #1”). The second application covered solid waste hauled under Certificate Nos. F-5619, F-7337 (Marion and Monongalia County), F-7439 and F-7498 and Permit Nos. H-10155, H-10824 and H-10840 (hereinafter “Application #2”). The Commission approved Tariff Rule 30E relief for the certificates identified in Application #1 along with a refund requirement, but denied Tariff Rule 30E relief for the certificates and permits identified in Application #2.

On November 25, 2013, Allied filed a petition for reconsideration and requested a hearing. On April 1, 2014, the Commission held an evidentiary hearing on the petition for reconsideration. Following briefing by the parties, the Commission entered an Order on October 3, 2014, affirming its Order of November 14, 2013. On November 3, 2014, Allied appealed the Commission’s October 3, 2014 Order to the Supreme Court of Appeals of West Virginia.

On February 24, 2015, the Court heard oral arguments from the parties. On March 11, 2015, the Court entered a memorandum opinion in which it affirmed the Commission’s Order, finding no errors in its rulings.

2. *Customers of Scotts Run Public Service District v. Public Service Commission, Morgantown Utility Board, and Scotts Run Public Service District*

By Order dated October 24, 2014, the Commission granted the joint application of Scotts Run PSD and Morgantown Utility Board and approved an acquisition agreement whereby Morgantown Utility Board acquired the assets and operations of the Public Service District. The Commission granted its approval following approval of both the Public Service District Board and the Monongalia County Commission.

On November 25, 2014, the Order was appealed to the Supreme Court of Appeals. The matter was scheduled for briefing and oral argument was set for March 10, 2015, before the Court. The Commission filed a motion to dismiss the appeal because it was untimely filed.

By Order entered January 8, 2015, the Court dismissed the appeal by granting the Commission's motion to dismiss.

3. *David C. Tabb v. The Jefferson County Commission and the West Virginia Public Service Commission*

On October 20, 2014, David C. Tabb filed a complaint with the Commission against the Jefferson County Commission (Case No. 14-1792). In his complaint, Mr. Tabb alleged that the County Commission approved an E-911 fee without following the procedure set forth in W.Va. Code §24-6-6. The Commission held that the right of a County Commission to impose a fee on consumers of local exchange telephone service within a county for an E-911 system is governed by W.Va. Code §7-1-3cc, not W.Va. Code §24-6-6.

The Commission found that it did not have jurisdiction over the E-911 fee and dismissed the case. On appeal, Mr. Tabb asserted that the E-911 fee falls within the purview of W.Va. Code §24-6-6 and, therefore, the Commission has jurisdiction.

Mr. Tabb appealed the Order from the Commission dismissing his complaint to the West Virginia Supreme Court of Appeals. The West Virginia Supreme Court of Appeals upheld the decision of the Commission in an Order issued on November 6, 2015, and dismissed the case.

4. *David C. Tabb v. Frontier Communications of West Virginia and the West Virginia Public Service Commission*

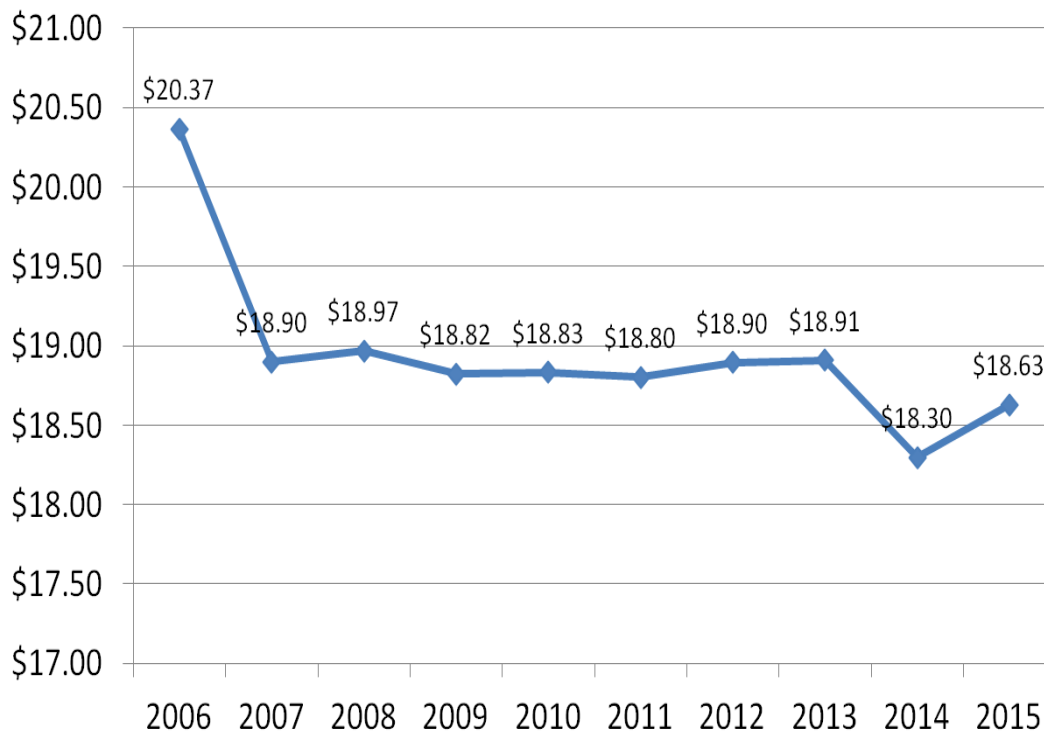
On October 20, 2014, David C. Tabb filed a complaint with the Commission against Frontier Communications of West Virginia (Frontier) (Case No. 14-1793). In the original complaint, Mr. Tabb alleged that Frontier, a telecommunications provider that collects the E-911 fee from its local exchange telephone service consumers for the County Commission, failed to confirm the legitimacy of the E-911 fee increase with the Commission. On March 3, 2015, the Commission issued a Final Order that stated Frontier did not violate any applicable statutes or rules by adding the fee to its bills and dismissed the case.

Mr. Tabb appealed the Commission's Final Order to the West Virginia Supreme Court of Appeals. On appeal, Mr. Tabb asserted that the Commission has jurisdiction over the Jefferson County Commission regarding the imposition of an E-911 fee and Frontier violated applicable statutes or rules when it added the fee to customer bills. The West Virginia Supreme Court of Appeals upheld the decision of the Commission in an order issued on November 6, 2015.

## VII. Budget and Human Resources

The Commission has been actively pursuing and implementing savings initiatives over the past nine years. Since 2007, the Commission has documented more than fifty individual savings initiatives and projects that have resulted in annualized savings of well over \$1 million. The savings for most of these initiatives occur year after year, so cumulative savings far exceed the annual total. The Commission has been able to keep its overall spending flat for all of its appropriate special revenue funds over the past eight years, however in 2015 Commission spending increased slightly due to the beginning of the building renovation projects. See the chart below.

**Appropriated Special Revenue Funds\* – Spending (in millions)**



\* Appropriated Special Revenue Funds include Utilities & Weight Enforcement (8623), Gas Pipeline (8624), and Motor Carrier (8625)



The savings have allowed the Commission to pay for numerous facility projects and case-related engineering consultant contracts without requesting supplemental budget appropriations. Some of the projects and contracts that have been paid for without an increase in our budgets are detailed in the following charts.

<b>Facility Projects</b>	<b>Cost</b>
Main building roof replacement (2009)	\$140,165
Demolition of free-standing arch (2013)	\$115,835
HVAC chiller replacement (2010)	\$110,000
Brick and paving project (2008)	\$ 59,973
Main hearing room audio and video replacement (2008)	\$ 59,100
Cooling coil replacement (2010)	\$ 16,159
Window replacements (2010)	\$ 7,800

<b>Engineering Consultant Contracts</b>	<b>Cost</b>
SAIC*(Alternative and Renewable Energy Portfolio, 2011)	\$349,454
Kaltech (TRAIL, 2008)	\$249,725
Bates-White (PATH, 2010, 2011)	\$236,332
Swanke Hayden Connell Architects (2013)	\$ 28,056

Commission employees continue to support and participate in the wvOASIS project. wvOASIS implemented the financial piece of the system on July 1, 2014. Staff continues to participate in training and User Acceptance Testing, as well as provide data staging for the HR and payroll pieces of wvOASIS.

The Commission continued to reduce paper by scanning paper documents and converting them to electronic documents. Converting documents from paper to electronic form makes the information more accessible, reduces storage costs and, in many cases, the information can be made available on the Commission intranet or internet websites. The Commission also continues to reduce costs by eliminating outdated technology, saving thousands of dollars.

## **VIII. Case Processing**

### **Informal Cases**

The Commission Utilities and Water and Wastewater Divisions received more than 9,300 Informal Cases, or Requests for Assistance (RFA) in 2015.

The RFAs come from customers having trouble paying or reconciling a utility bill or experiencing service problems or difficulties in a variety of other areas. RFA calls are routed to our Consumer Affairs Technicians (CATs).

The CATs assist customers in negotiating payment plans, clearing up communication problems or acting as liaisons between utilities and customers to resolve differences. If the problems of customers are not resolved, customers have the option of filing a Formal Complaint with the Commission; however, Formal Complaint proceedings are time consuming and often require attorney representation by the utility and, in some cases, by the customer.

An internal goal of closing Informal Complaints in 30 days was set in an attempt to lessen the need to file Formal Complaints. Difficulties in obtaining information from some smaller cable and phone companies and the challenges of isolating service problems related to electric, telephone and cable complaints impacted overall numbers in this area.

Another internal goal is to resolve 95% of RFAs at the Informal or RFA level, further lessening the need to file Formal Complaints.

<b>Type of Utility</b>	<b>Number of RFAs filed in 2015</b>	<b>Percentage of RFAs that closed within 30 days</b>	<b>Number that became Formal Complaint Cases</b>	<b>Percentage of RFAs that did <u>not</u> become Formal Complaints Cases</b>
Electric	3,420	97.7%	182	94.7%
Gas	846	97.7%	12	98.6%
Telephone	1,023	94.3%	5	99.5%
Water	2,616	99.6%	65	97.5%
Wastewater	1,227	99.5%	28	97.7%
Cable	177	88.3%	0	100%
<b>Totals</b>	<b>9,309</b>	<b>97.9%</b>	<b>292</b>	<b>96.9%</b>

### **Formal Cases**

The Commission handles more than 2,000 Formal Cases each year, ranging from complex major rate cases and requests for certificates for multi-billion dollar projects to simple complaint cases.

<b>Utility Cases</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Pending at beginning	540	490	440	434	429	441	400	382	418
Opened during year	2176	1930	1901	1806	1685	1611	1784	1946	1862
Closed during year	2226	1980	1907	1811	1673	1652	1802	1910	1868
Pending at end of year	490	440	434	429	441	400	382	418	412

<b>Motor Carrier Cases</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Pending at beginning	115	154	129	155	119	102	75	68	69
Opened during year	367	319	337	225	217	172	199	189	244
Closed during year	328	344	311	261	234	199	206	188	223
Pending at end of year	154	129	155	119	102	75	68	69	90

<b>Coal Cases</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Pending at beginning	54	69	142	154	76	77	44	21	22
Opened during year	359	686	547	304	389	283	171	173	178
Closed during year	344	613	535	382	388	316	194	172	172
Pending at end of year	69	142	154	76	77	44	21	22	28

### **Hearings and Meetings**

#### **Hearings**

Commission Hearings .....	42
Administrative Law Judge Hearings .....	86

#### **Mediation Meetings**

Mediation - Administrative Law Judge Division at PSC Building ....	25
Mediation - Administrative Law Judge Division out of town .....	2
Mediation - Commission at PSC Building .....	2

**Informal Meetings**

February 3, 2015	Lincoln County Commission
March 3, 2015	Dollar Energy
October 12, 2015	Public Water System Safety Supply Commission (Work Group No. 3)
November 17, 2015	Longview Presentation

**Orders**

In 2015, the Commission issued 6,118 Orders.

**General Orders**

**G.O. 183.08**

June 10, 2015      General Order addressing treatment of the Cash Working Capital Requirements of W.Va. Code §24-1-1(k).

**G.O. 184.34**

February 11, 2015      In the matter of interest to be paid on customer deposits by electric utilities.

**G.O. 184.35**

March 19, 2015      An Order requiring electric utilities to file Integrated Resource Plans.

**G.O. 185.36**

February 11, 2015      In the matter of interest to be paid on customer deposits by gas utilities.

**G.O. 186.28**

February 11, 2015      In the matter of interest to be paid on customer deposits by sewer utilities.

**G.O. 187.44**

July 2, 2015      In the matter of proposed amendments to the Rules and Regulations for the Government of Telephone Utilities, 150 C.S.R. Series 6.

**G.O. 187.45**

February 11, 2015      In the matter of interest to be paid on customer deposits by telephone utilities.

**G.O. 187.46**

December 14, 2015 In the matter of inviting application for a certificate of convenience and necessity to promote telecommunications relay service in West Virginia.

**G.O. 188.33**

February 11, 2015 In the matter of interest to be paid on customer deposits by water utilities.

**G.O. 195.68**

March 2, 2015 In the matter of designation of Matthew Minney as Administrative Law Judge.

**G.O. 195.69**

September 3, 2015 Appointing and establishing the salary of the Director of the Consumer Advocate Division.

**G.O. 195.70**

September 21, 2015 Regarding the designation of employees, pursuant to W.Va. Code §24-1-4; Interim Relief Orders.

**G.O. 195.71**

December 14, 2015 General Order regarding processing of residential billing complaint cases.

**G.O. 250.1**

September 14, 2015 In the matter of proposed amendments to the Rules Governing Certification and Operation of Telecommunication Relay Service (TRS), 150 C.S.R. Series 21.

**G.O. 258.2**

March 24, 2015 General Order to rescind filing requirement of 150 C.S.R. 34.

**MC G.O. 7.09**

March 2, 2015 In the matter of designation of Matthew Minney as Administrative Law Judge.

**MC G.O. 73**

December 14, 2015 General Order regarding processing of residential billing complaints cases.

## **Appendix A**

### **Summary of the Utility Discount Programs**

\*\*\*\*

**December 2015**

Through a program created by the West Virginia Legislature in 1983, certain qualifying residential customers are eligible for a special reduced rate schedule in their gas, electric and water utility rates. The special reduced rate is 20% less than the rate applicable to other residential customers obtaining similar service.

Eligible customers must be receiving either:

- (a) Social Security Supplemental Security Income (SSI);
- (b) WV Works, program previously called Aid to Families with Dependent Children (AFDC) and Temporary Aid to Needy Families (TANF);
- (c) Supplemental Nutrition Assistance Program (SNAP) if the recipient is age 60 or older, program previously called Food Stamps.

During the 2014-2015 program year, 4,687 eligible West Virginia American Water Company customers received \$486,957 in discounts; 36,566 electric customers received nearly \$4.7 million in discounts, and 12,653 natural gas customers received nearly \$1.36 million in discounts.

Following is a report on the 20% discount program for the billing months of December 2014 through April 2015 for the gas and electric utilities and for the billing months of June 2014 through May 2015 for West Virginia American Water Company. A summary by type of utility (natural gas or electric) including the percentage changes from last year and individual utility information is detailed.

**Report on 20% Discount Program for Billing  
Months of December 2013 through April 2014  
Electric Utilities**

	<u>Appalachian Power</u>	<u>Black Diamond Power</u>	<u>Monongahela Power</u>	<u>Potomac Edison</u>	<u>Wheeling Power</u>
Total Applications Received	20,038	278	14,266	3,586	1,148
Total Applications Rejected	1,351	0	1,049	291	59
Percent Rejected	6.74%	0.00%	7.35%	8.11%	5.14%
No. of Customers Given Discount	18,687	278	13,217	3,295	1,089
No. of Residential Customers	399,706	1,958	331,924	193,076	35,002
Percent Given Discount	4.68%	14.20%	3.98%	1.71%	3.11%
SSI Customers	11,767	189	7,862	1,422	2,731
WV Works Customers	1,497	16	761	296	333
SNAP +60 Customers	5,423	73	4,594	1,577	2,018
Total Bills at Non-Discounted Rates	\$13,955,898.85	\$182,691.05	\$6,630,347.00	\$2,331,707.39	\$551,758.00
Total Bills at Discounted Rates	<u>\$11,164,719.08</u>	<u>\$146,152.84</u>	<u>\$5,304,277.98</u>	<u>\$1,865,366.19</u>	<u>\$441,406.40</u>
Revenue Decrease	\$2,791,179.77	\$36,538.21	\$1,326,069.02	\$466,341.20	\$110,351.60
Adjustment for B&O Tax Reduction	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Revenue Deficiency Certified	<u>\$2,791,179.77</u>	<u>\$36,538.21</u>	<u>\$1,326,069.02</u>	<u>\$466,341.20</u>	<u>\$110,351.60</u>



**Report on 20% Discount Program for Billing  
Months of December 2013 through April 2014  
Natural Gas Utilities**

	<u>Blacksville Oil &amp; Gas</u>	<u>Bluefield Gas</u>	<u>Consumers Gas Utility</u>	<u>Peoples Gas WV</u>	<u>Hope Gas</u>	<u>Lumberport Shinnston Gas</u>
Total Applications Received	2	99	462	410	3,689	119
Total Applications Rejected	0	0	1	3	145	1
Percent Rejected	0.00%	0.00%	0.22%	0.73%	3.93%	0.84%
No. of Customers Given Discount	10	99	461	407	3,544	118
No. of Residential Customers	257	2,883	7,534	11,719	104,073	2,953
Percent Given Discount	3.89%	3.43%	6.12%	3.47%	3.41%	4.00%
SSI Customers	0	43	300	247	2,081	70
WV Works Customers	0	14	29	18	228	11
SNAP +60 Customers	10	42	132	142	1,235	37
Total Bills at Non-Discounted Rates	\$692.98	\$77,326.95	\$255,207.42	\$267,690.15	\$1,955,969.40	\$88,701.24
Total Bills at Discounted Rates	<u>\$554.38</u>	<u>\$61,861.57</u>	<u>\$204,510.62</u>	<u>\$214,152.12</u>	<u>\$1,564,775.52</u>	<u>\$70,960.40</u>
Revenue Decrease	\$138.60	\$15,465.38	\$50,696.80	\$53,538.03	\$391,193.88	\$17,740.84
Adjustment for B&O Tax Reduction	<u>\$5.95</u>	<u>\$663.46</u>	<u>\$2,174.89</u>	<u>\$2,296.78</u>	<u>\$16,782.22</u>	<u>\$761.08</u>
Revenue Deficiency Certified	<u>\$132.65</u>	<u>\$14,801.92</u>	<u>\$48,521.91</u>	<u>\$51,241.25</u>	<u>\$374,411.66</u>	<u>\$16,979.76</u>

**Report on 20% Discount Program for Billing  
Months of December 2013 through April 2014  
Natural Gas Utilities**

	<u>Megan Oil &amp; Gas</u>	<u>Mountaineer Gas</u>	<u>Southern Public Service</u>	<u>Standard Gas</u>	<u>Union Oil &amp; Gas</u>
Total Applications Received	26	7,653	243	9	91
Total Applications Rejected	0	0	0	0	8
Percent Rejected	0.00%	0.00%	0.00%	0.00%	8.79%
No. of Customers Given Discount	26	7,653	243	9	83
No. of Residential Customers	276	197,288	5,572	344	5,482
Percent Given Discount	9.42%	3.88%	4.36%	2.62%	1.51%
SSI Customers	17	22,475	155	5	41
WV Works Customers	1	3,594	20	2	31
SNAP +60 Customers	8	14,514	68	2	11
Total Bills at Non-Discounted Rates	\$15,743.51	\$4,100,055.26	\$141,525.10	\$4,434.52	\$36,561.75
Total Bills at Discounted Rates	<u>\$12,598.44</u>	<u>\$3,252,004.48</u>	<u>\$113,220.08</u>	<u>\$3,547.24</u>	<u>\$29,249.40</u>
Revenue Decrease	\$3,145.07	\$848,050.78	\$28,305.02	\$887.28	\$7,312.35
Adjustment for B&O Tax Reduction	<u>\$134.92</u>	<u>\$36,381.38</u>	<u>\$1,214.29</u>	<u>\$38.06</u>	<u>\$313.70</u>
Revenue Deficiency Certified	<u>\$3,010.15</u>	<u>\$811,669.40</u>	<u>\$27,090.73</u>	<u>\$849.22</u>	<u>\$6,998.65</u>

**Report on 20% Discount Program for Billing Months of  
June 2014 through May 2015  
Water Utilities**

West Virginia American Water

	<u>2014-2015</u>	<u>2013-2014</u>	<u>Change from Previous Year</u>
Total Applications Received*	4,687	4,904	-4.42%
Total Applications Rejected*	0	0	0.00%
Percent Rejected*	0.00%	0.00%	
No. of Customers Given Discount*	4,687	4,904	-4.42%
No. of Residential Customers*	155,122	155,461	-0.22%
Percent Given Discount*	3.02%	3.15%	
SSI Customers*	2,430	2,635	-7.78%
WV Works Customers*	616	662	-6.95%
SNAP +60 Customers*	1,641	1,607	2.12%
Total Bills at Non-Discounted Rates	\$2,434,826.00	\$2,383,793.00	2.14%
Total Bills at Discounted Rates	<u>\$1,947,869.00</u>	<u>\$1,907,049.00</u>	2.14%
Revenue Decrease	\$486,957.00	\$476,744.00	2.14%
Adjustment for B&O Tax Reduction	<u>\$0.00</u>	<u>\$0.00</u>	
Revenue Deficiency Certified	<u>\$486,957.00</u>	<u>\$476,744.00</u>	2.14%

**Report on 20% Discount Program for Billing Months of  
December 2014 through April 2015**

**Summary Data**

	<u>Electric Utilities</u>			<u>Natural Gas Utilities</u>		
	<u>2014-2015</u>	<u>2013-2014</u>	<u>Change from Previous Year</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>Change from Previous Year</u>
Total Applications Received	39,465	39,465	-0.38%	12,803	13,016	-1.66%
Total Applications Rejected	3,029	3,029	-10.15%	158	141	10.76%
Percent Rejected	7.68%	7.68%		1.23%	1.08%	
No. of Customers Given Discount	36,566	36,438	0.35%	12,653	12,874	-1.75%
No. of Residential Customers	961,666	889,099	7.55%	338,381	339,621	-0.37%
Percent Given Discount	3.80%	4.10%		3.74%	3.79%	
SSI Customers	23,971	22,733	5.16%	25,434	7,859	69.10%
WV Works Customers	2,903	2,953	-1.72%	3,948	1,098	72.19%
SNAP +60 Customers	13,685	10,752	21.43%	16,201	3,917	75.82%
Total Bills at Non-Discounted Rates	\$23,652,402.29	\$23,801,435.86	-0.63%	\$6,943,908.28	\$6,639,923.07	4.38%
Total Bills at Discounted Rates	<u>\$18,921,922.49</u>	<u>\$19,041,149.13</u>	<u>-0.63%</u>	<u>\$5,527,434.25</u>	<u>\$5,311,937.73</u>	<u>3.90%</u>
Revenue Decrease	\$4,730,479.80	\$4,760,286.73	-0.63%	\$1,416,474.03	\$1,327,985.34	6.25%
Adjustment for B&O Tax Reduction	<u>\$0.00</u>	<u>\$0.00</u>	<u>0%</u>	<u>\$60,766.74</u>	<u>\$56,970.57</u>	<u>6.25%</u>
Revenue Deficiency Certified	<u>\$4,730,479.80</u>	<u>\$4,760,286.73</u>	<u>-0.63%</u>	<u>\$1,355,707.29</u>	<u>\$1,271,014.77</u>	<u>6.29%</u>

**Report on 20% Discount Program for Billing Months of  
December 2014 through April 2015\*\***

**Summary Data**

All Utilities

	<u>2014-2015</u>	<u>2013-2014</u>	<u>Change from Previous Year</u>
Total Applications Received*	56,806	57,385	-1.01%
Total Applications Rejected*	2,908	3,170	-8.26%
Percent Rejected*	5.12%	5.52%	
No. of Customers Given Discount*	53,906	54,216	-0.57%
No. of Residential Customers*	1,455,169	1,384,181	5.13%
Percent Given Discount*	3.70%	3.92%	
SSI Customers*	51,835	33,227	56.00%
WV Works Customers*	7,467	4,713	58.43%
SNAP +60 Customers*	31,527	16,276	93.70%
Total Bills at Non-Discounted Rates	\$33,031,136.57	\$32,825,181.93	0.63%
Total Bills at Discounted Rates	<u>\$26,397,225.74</u>	<u>\$26,260,135.86</u>	<u>0.52%</u>
Revenue Decrease	\$6,633,910.83	\$6,565,046.07	1.05%
Adjustment for B&O Tax Reduction	<u>\$60,766.74</u>	<u>\$56,970.57</u>	
Revenue Deficiency Certified	<u>\$6,573,144.09</u>	<u>\$6,508,075.50</u>	<u>1.00%</u>

*\*These numbers represent customers and not individual households. A household may be a consumer of both electric and natural gas.*

*\*\* Program months for West Virginia American Water run from June 2014 through May 2015.*

## **Appendix B**

### **Summary of the Tel-Assistance Service Telephone Rate Discount Program**

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**December 2015**

Tel-Assistance Service, created by the West Virginia Legislature in 1986, provides reduced rates for qualified low-income residential customers of telephone utilities. Tel-Assistance customers receive a waiver of the monthly Federal subscriber line charge. The option of Tel-Assistance Service remains part of the filed residential tariffs of all of the local exchange telephone utilities and is therefore available to all eligible customers. Eligible customers must be receiving benefits from an income-related State or Federal program, including SSI, WV Works, Medicaid, Federal Public Housing Assistance, LIEAP or SNAP if the recipient is age 60 or older.

The telephone utilities may recover their certified revenue deficiency as a credit against the carrier's income tax (WV Code 11-13G-3). Frontier, West Virginia Inc. and Citizens Telecommunications Company of West Virginia doing business as Frontier Communications of West Virginia, are the only companies that filed a Tel-Assistance report for certification of revenue deficiency for 2015 (Case Nos. 15-0368-T-P and 15-0369-T-P). Telecommunications carriers other than Frontier and Citizens chose not to request certification of revenue deficiency.

The agreements or tariffs filed with the Commission for approval in accordance with the Tel-Assistance Program may specify the methodology by which the eligible telecommunications carrier calculates its annual revenue deficiency. Subject to prior approval by the Commission, eligible telecommunications carriers may agree to freeze or cap the amount of the revenue deficiency at specific levels.

On August 20, 2003, the Commission concluded in case 03-1363-T-T that for provision of the Tel-Assistance Program, Verizon could freeze the revenue deficiency at the level approved for the 2002 tax year. Following the transfer of Verizon, West Virginia to Frontier, West Virginia, Frontier adopted the tariff provisions then currently in place for Verizon. Accordingly, in Case No. 15-0368-T-P the Commission certified \$66,384.89 as the revenue deficiency for Frontier, West Virginia associated with the Tel-Assistance Program for the 2014 program year. Likewise, on March 28, 2006, in Case No. 06-0256-T-T the Commission concluded that Citizens could freeze the revenue deficiency at the level approved for 2004. Accordingly, in Case No. 15-0369-T-P the Commission certified \$19,603.80 as the revenue deficiency for Citizens Telecommunications Company of West Virginia doing business as Frontier Communications of West Virginia associated with the Tel-Assistance Program for the 2014 program year.

On June 15, 2005, in Case No. 05-0888-T-T the Commission ordered all Eligible Telecommunications Carriers (ETCs), to file a report on or before March 1 of each calendar year detailing their provision of Tel-Assistance Service during the previous calendar year. Each report must list the number of Tel-Assistance customers at the beginning and end of the year, as well as the total amount of Federal and State discounts provided to Tel-Assistance recipients.

## **Appendix C**

### **Electric Utilities Supply – Demand Forecast 2016 - 2025**

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**January 2016**



## **Executive Summary**

The major generation-owning electric utility systems in West Virginia have completed major acquisitions of generation in recent years. At the same time, several older generating facilities have been retired. Cancellation of long-standing capacity agreements with affiliates has occurred, which has contributed to the need for alternative capacity resources. Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) will have marginally adequate capacity for summer requirements in the near future, but will have low reserve margins in the next several years and might have low winter reserve margins during the forecast period. Monongahela Power Company (MPC) and Potomac Edison (PE) also have adequate capacity for summer requirements in the near future, but reserve margins will gradually shrink, becoming negative during the forecast period.

If implemented, new EPA standards to limit carbon emissions from existing power plants will affect generation resources. As those standards are proposed, it is likely that generating utilities in West Virginia will need to modify existing generation to meet the EPA goals on both an interim and final basis. Because the timing and extent of rules implementing the EPA standard are unknown at this time, the impacts of any carbon limitations are not included in this report.

The general conclusions reached by Staff in preparing this report are:

- Expected growth in annual peak electric demand will average approximately 1.0% with higher near-term growth for MPC.
- Because of PJM discounting a portion of Installed Capacity (ICAP), it is appropriate to use the reduced peak capacity value, referred to as Unforced Capacity (UCAP) as assigned to each generation unit by PJM.
- PJM has recently changed its Capacity Performance Rules, and these changes will affect both APCo and MPC. One of the major changes is a further discounting of capacity from solar, hydro and wind resources.
- Both APCo and MPC face declining reserve margins above their PJM UCAP that will require additions of capacity or reductions in demand during the forecast period.

## **General Discussion**

The 64<sup>th</sup> Legislature (1979) directed the Public Service Commission of West Virginia (Commission) to report to the Legislature annually on the 10-year supply and demand balance for the electric utilities in West Virginia (W. Va. Code § 24-1-1(d)(3)). To prepare that report, the Commission Staff (Staff) conducts an annual examination of long-term demand forecasts and resource plans of the major electric utilities in West Virginia. Staff evaluates the underlying assumptions and reasonableness of the forecasts and plans and prepares the Annual Supply and Demand Balance Report required by the statute.

The four largest regulated electric utilities in West Virginia are APCo, WPCo, MPC, and PE. APCo, WPCo and MPC are regulated electric distribution utilities that own generation facilities. APCo and WPCo are sister companies in American Electric Power (AEP). MPC and PE are sister companies in FirstEnergy (FE). These four electric utilities account for approximately 96% of West Virginia residential sales and 98% of West Virginia commercial and industrial sales. For purposes of this report, APCo and WPCo are paired, and a combined supply and demand forecast is prepared based on their combined resource plans and projected demand. MPC and the PE West Virginia operations are similarly paired. Reference to APCo includes the supply resources and load of WPCo, which operates only in West Virginia. Reference to MPC includes the load of the PE West Virginia operations.

Currently, there are five independent non-generation electric utilities in West Virginia that purchase power at wholesale and distribute that power to local residential, commercial and industrial customers at retail rates. Those are:

- Harrison Rural Electrification Association
- Black Diamond Power Company
- Craig-Botetourt Electric Cooperative
- New Martinsville Municipal Utilities
- Philippi Municipal Electric

These companies purchase their power supply requirements from various suppliers operating in the regional area served by PJM Interconnection (PJM).<sup>1</sup> They have historically relied on medium to long-term contracts with wholesale providers, but they can also consider the availability energy and capacity in the PJM markets when planning their power supply requirements. The PJM organization manages the bulk-power transmission system and an extensive capacity and energy market. This market

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<sup>1</sup> PJM Interconnection LLC manages electricity energy and capacity markets and the transmission network covering a large portion of the Middle Atlantic and Midwest area. For a description of PJM Interconnection see Appendix A.

has become the major source of power supply for many customers and load-serving entities in the PJM Region.

The Annual Supply-Demand Forecast is based primarily on a review of supply resources and load forecasts provided by AEP and FE. The AEP and FE information includes a capacity (supply) plan, also known as an integrated resource plan (IRP), that considers future demand requirements of customers and options for controlling or reducing demand. The plan then considers supply options to economically meet the future net demand requirements. The IRP includes projected equipment upgrades, re-rating of plants, retirement of internal generation resources, additional internal generation resources, demand side resources and purchased capacity, if needed. Commission Staff reviews the information and determines how the capacity resources compare to the projected loads and whether the expected supply is sufficient to meet peak loads while maintaining a reasonable reserve margin over the forecast period.

Both APCo and MPC have recently retired several older coal-fired, sub-critical generating units. Both companies recently sought and received approval to acquire additional generation capacity of existing generating facilities in West Virginia. In 2013, the Commission issued decisions in cases involving both APCo and MPC with regard to approval of these transactions. A further proposal by WPCo to acquire an undivided 50% interest in the Mitchell Plant was approved by the Commission in December 2014.

In Case No. 12-1571-E-P, the Commission authorized MPC to sell its interest in the Pleasants generation plant and to acquire 100% ownership of the Harrison generating plant. The net result of this transaction increased the installed capacity of MPC by 1,476 Megawatts (MW). MPC consummated the transaction on October 9, 2013. The Commission Order was appealed to the West Virginia Supreme Court by a party opposing the acquisition. The Commission Order was affirmed by a May 23, 2014 decision of the Supreme Court.

In Case No. 12-1655-E-PC, the Commission authorized APCo to acquire 100% ownership of Unit 3 at the John Amos generating plant. This acquisition increased the installed generation capacity of APCo by 867 MW. APCo consummated the acquisition on December 31, 2013.

On December 30, 2014, the Commission authorized WPCo to acquire a 50% undivided interest (780 MW) in the Mitchell generation plant. Only 82.5% of the plant is included in West Virginia rates. The remaining 17.5% may be included in rates in 2020, but WPCo may request an earlier recognition of the full 780 MW.

The EPA released proposed rules for the reduction of carbon emissions from existing power plants in June 2014. The proposed rules set interim and final goals for

each state. The DEP, with input from the West Virginia Division of Energy and the Staff of the Commission, filed comments with the EPA on December 1, 2014.

On August 3, 2015, the EPA issued a pre-publication release of its final rule that became effective when it was published in the Federal Register on October 23, 2015. The EPA has titled this rule its “Clean Power Plan.” The final rule, as applied to West Virginia power plants, is more stringent than the proposed rule that was released in 2014. The 2014 proposal had set a final (2030) carbon dioxide emission rate limit of 1,620 tons per megawatt hour (MWH) of generation. The final rule sets the 2030 rate limit at 1,305 tons per MWH.

The final rule requires a four-step phase-in between 2022 and 2028. The interim steps and the rate limits for CO<sub>2</sub> per MWH generated during the phase-in are: (2022-2024) 1,671 tons/MWH; (2025-2027) 1,500 tons/MWH; (2028-2029) 1,380 tons/MWH. The average emission rate limit over the entire phase-in period is 1,534 tons. States may establish different interim period reductions as long as the aggregate steps meet the total interim period limit of 1,534 tons per MWH.

The final rule also sets an alternative 2030 total tonnage carbon dioxide emission limit (mass limit) of 51.3 million tons for West Virginia. As with the emission rate limits, if the State pursues a tonnage limit goal, the step-down must begin in 2022 and the average limit over the full eight-year step-down period must be 58.1 million tons. The intermediate step-down mass limits are: (2022-2024) 62.6 million tons; (2025-2027) 56.8 million tons; (2028-2029) 53.4 million tons.

The final rule provides for compliance through either plant specific, state specific or regional approaches. States are allowed to adopt an EPA model trading rule or write their own plan that includes trading with other states, with certain requirements and limitations. If emitters in some states are able to reduce carbon dioxide output below their maximum limits, then they may have carbon credits that can be purchased by other emitters in that state, or in other states, in lieu of those purchasers of credits reducing their physical output of carbon. Such a trading approach would require State Plans that provide for carbon credit trading, either intrastate, interstate or both.

All West Virginia power plants emitted a combined 72.3 million tons of carbon dioxide in 2012. To achieve the final mass limit of 51.3 million tons in 2030, the West Virginia plants must reduce carbon output, or acquire carbon emissions credits if allowed by a State Plan, by a total of 21 million tons, a 29% reduction from the 2012 output. Of the 72.3 million tons of emissions in 2012, West Virginia utility companies accounted for 52 million tons, or 72%. Non-utility, PURPA qualified wholesale generators that contract to sell their plant output to a West Virginia utility output 1.7 million tons. The balance of the emissions came from generators that do not serve retail customers in West Virginia.

HB 2004, passed by the West Virginia Legislature in 2015, requires that the DEP submit a report to the Legislature regarding the feasibility of the State's compliance with the EPA Clean Power Plan. If the DEP determines that compliance is feasible, it must then submit a proposed State Plan for consideration by the Legislature. The DEP has initiated a study of the final Clean Power Plan and is expected to complete its initial report to the Legislature in the spring of 2016.

In addition to the uncertainty of the feasibility of compliance, which will be addressed in the DEP report, there have been lawsuits filed to block or slowdown the Clean Power Plan as issued by the EPA. It has been reported that it has become the most heavily litigated environmental regulation ever issued. Twenty-seven states and a number of industry groups have filed more than 15 separate cases against the rules. West Virginia has been joined by 23 other states in one case.<sup>2</sup> Oklahoma, North Dakota and Mississippi have filed individual lawsuits. Challenges have been filed by trade associations, utilities, coal companies, mining interests and other business sectors. Eighteen states and several municipal entities have announced that they will support the Clean Power Plan and defend the EPA in court. The lawsuits are currently consolidated in the U.S. Court of Appeals for the District of Columbia Circuit. Before deciding on the merits, the Court will address motions asking for a stay of the EPA rule during the pendency of the litigation. Several parties, including the West Virginia-led coalition of 24 states, claim that a stay is appropriate and meets judicial requirements that the rule will cause irreparable harm while the case is pending and that there is a likelihood that the opponents of the rule will ultimately prevail in court.

If implemented, the EPA Clean Power Plan could affect the supply and cost of electricity available to West Virginia utilities. To say the least, if a State Plan is ultimately required, the final timing and outcome of legal challenges and the timing and provisions of a West Virginia Plan for compliance are not certain. It would be premature to estimate or model, at this time, how the Clean Power Plan might affect the future supplies of electricity in West Virginia. Given the uncertainty of the timing and outcome of the Clean Power Plan, no assumptions regarding its impact on West Virginia's electricity supply or demand are made in this report.

PJM incurs its peak capacity requirements in the summer, and plans its capacity resources accordingly. Both APCo and MPC have been winter peaking companies. Historically, the ability of those companies to meet their internal peak, whenever that occurred, has been the focus of capacity adequacy planning. Because of the availability of energy from the PJM market and the PJM assignment of capacity obligations based on summer peaks, the Commission now evaluates the APCo and MPC supply and

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<sup>2</sup> Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, South Dakota, Utah, Wisconsin and Wyoming joined the lawsuit filed by West Virginia and Texas.

demand during the summer months. For the forecast period of summer 2016 through 2025, the Commission concludes:

- Expected growth in annual peak electric demand will average approximately 0.4% for APCo. Growth in MPC annual peak electric demand is expected to be higher due to natural gas production, processing and transportation activities in the MPC service territory. The MPC annual growth is projected to be around 2.2% through 2020, and then drop to around 1% in 2021.
- Utility-owned (internal) generation installed capacity plus existing installed capacity available through purchased power contracts will be greater than customer demand.
- PJM discounts ICAP to reflect the probability of outages of generation units, based on prior unit performance that PJM uses to assign an Equivalent Forced Outage Rate (EFOR) to each generation unit. The reduced peak capacity value assigned to each generation unit is referred to as UCAP.
- The Commission forecast of electricity supply has historically focused on the ICAP of APCo and MPC. Because of changes taking place in PJM definitions of reliable capacity resources and more stringent requirements being placed on generation resources operating in the PJM market, this report reflects the UCAP values that the utilities must use for PJM planning purposes.
- Since UCAP reflects lower values than ICAP, there is a level of built-in reserve margin reflected in the difference between UCAP and projected peak customer demand. This built-in reserve margin for fossil fuel-fired generation changes annually and generally ranges between 8% and 12%, depending on the PJM determination of historical EFOR.
- PJM has recently changed its Capacity Performance Rules, requiring a greater level of reliability of capacity resources. These changes in the Capacity Performance Rules will affect both APCo and MPC. One of the major changes is a further discounting of capacity from solar, hydro and wind resources. The decrement between ICAP and UCAP of these resources will increase during the forecast period of this report. APCo has a greater level of solar, hydro and wind resources in its capacity, so it will be affected more than MPC by the PJM Capacity Performance changes. Most significantly for both APCo and MPC, the UCAP of hydro generation, including pump storage generation, will be reduced significantly in 2020.
- Based on existing capacity resources, both APCo and MPC face declining PJM

cushions above their UCAP obligations and each will require additions of capacity or reductions in demand during the forecast period.

## **American Electric Power**

### **Appalachian Power Company and Wheeling Power Company**

APCo is the largest AEP subsidiary in terms of population served, number of customers and area of service territory of the operating companies that comprise the AEP East System (AEP East). The APCo service territory covers southern West Virginia and adjacent portions of Virginia. WPCo owns generation facilities as well as transmission and distribution facilities providing service in Marshall and Ohio Counties in the Northern Panhandle of West Virginia. For rate regulation purposes in West Virginia, all operating costs, including power supply costs, of APCo and WPCo are combined and shared among APCo and WPCo customers.

APCo's current internal supply sources include coal-fired steam plants, natural gas-fired plants employing either solely combustion turbine technology or combined combustion turbine and steam technology (combined cycle), hydroelectric facilities and purchased power contracts. The APCo purchased power contracts include coal-fired capacity, and wind capacity. Potential future changes in APCo supply sources include acquisition of additional generating capacity and additional purchased power contracts.

Because of more stringent EPA standards applicable to power plants, APCo determined that retrofitting each sub-critical unit with emission control equipment and incurring associated increased costs due to reduced operating efficiency is not economical. In view of its inability to comply with new standards without control upgrades, the Kanawha River Plant, the APCo units at the Phillip Sporn Plant, Glen Lyn Units 5 and 6 and Clinch River Unit 3 were shut down in 2015.

APCo is continuing operations at Clinch River Units 1 and 2 after converting the units from coal to natural gas fuel sources. This conversion has been approved in Virginia and West Virginia. Clinch River Units 1 and 2 will continue to operate as coal-fired generating units until their conversion dates, and will operate as natural gas-fired generating units after their conversion. The Kanawha River Plant remains as a potential conversion to natural gas. Consideration of using Kanawha River as a gas-fired generation source is being further evaluated by APCo.

APCo has historically reached its annual peak demands during the winter months. Historically, the Commission has projected the APCo supply and demand balances at the

time of the annual winter peaks. Because PJM peaks in the summer, for PJM planning purposes the adequacy of APCo capacity is measured during the summer months and the supply/demand data used in this report reflect summer peaks. Thus, it is likely that projected reserve margins in any year, over the reserve margins already built into PJM UCAP values, will be less in the winter when APCo reaches its internal peaks. Because of the availability of capacity from the PJM market, to the extent that APCo requires more capacity during winter, that capacity will be available from the PJM market.

Projected capacity of APCo/WPCo reflects significant derating of some “intermittent” resources in 2020 due to the new Capacity Performance rules of PJM. Run-of-river hydro capacity is reduced to zero. Pumped-storage hydro unit capacity is reduced by approximately 33%. Wind resource capacity value is reduced to 5% of nameplate rating, as compared to the current PJM value of 13.5%. These assumptions are based on a current understanding of the PJM Capacity Performance rules, but may change when the PJM tariffs relating to Capacity Performance are finalized.

Gradual additions to APCo/WPCo capacity resources are reflected in the Supply/Demand Forecast. These are not firm commitments for capacity additions, but reflect types and amounts of additions that are under consideration by APCo. In summary, the projected reductions and additions to capacity resources include:

- Beginning in 2020: Reduction of Smith Mountain pumped storage capacity by approximately 200 MW; elimination of all run-of-river hydro from the available UCAP; and reduction in PJM-allowed capacity levels for wind resources from 13.5% to 5% of nameplate capacity.<sup>3</sup>
- Annual additions of utility-owned, large-scale solar capacity beginning in 2018.
- Additions of 150 MW (nameplate rating) of wind capacity in 2018, with additional wind capacity being added through 2025.
- Increased efficiency of distribution facilities.
- Increased use of batteries.
- Increased energy efficiency projects at the end-user level.
- Increases in customer-owned distributed solar capacity.

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<sup>3</sup> These reductions are not an actual reduction in installed capacity, but reflect reduced values of the installed capacity by PJM.



A summary of the combined projected capacity supply and demand (at PJM UCAP level) for APCo and WPCo are:

<b>Appalachian Power Company / Wheeling Power Company Projected Supply and Demand - 2016 through 2025 (1) Based on Summer Internal Load and PJM UCAP Obligations and Capacity</b>						
	<b>APCo</b>	<b>WPCo</b>	<b>APCo /WPCo</b>			
<b>Year</b>	<b>Internal Load UCAP Obligation</b>	<b>Internal Load UCAP Obligation</b>	<b>Total Internal Load UCAP Obligation</b>	<b>UCAP Capacity (2)</b>	<b>Reserve Margin In Addition to Margins Already Built-Into UCAP Values</b>	
	<b>(MW)</b>	<b>(MW)</b>	<b>(MW)</b>	<b>(MW)</b>	<b>(MW)</b>	<b>(%)</b>
<b>2016</b>	5,925	492	6,417	6,944	527	8.2%
<b>2017</b>	5,940	493	6,433	6,932	499	7.8%
<b>2018</b>	5,955	494	6,449	7,028	579	9.0%
<b>2019</b>	5,970	495	6,465	7,222	757	11.7%
<b>2020</b>	5,985	496	6,481	6,746	265	4.1%
<b>2021</b>	6,000	499	6,499	6,770	271	4.2%
<b>2022</b>	6,015	501	6,516	6,820	304	4.7%
<b>2023</b>	6,030	504	6,534	6,839	305	4.7%
<b>2024</b>	6,050	506	6,556	6,857	301	4.6%
<b>2025</b>	6,080	509	6,589	6,894	305	4.6%
<b>Notes:</b>						
<b>(1) Includes APCo total company (WV and Va) UCAP capacity resources and UCAP load obligations plus WPCo total company UCAP capacity resources and load obligations.</b>						
<b>(2) Includes APCo owned generation and long-term power contracts and WPCo owned generation.</b>						

## **FirstEnergy Corporation**

### **Monongahela Power Company and Potomac Edison Company**

Monongahela Power Company (MPC) and The Potomac Edison Company (PE) are regulated subsidiaries of FirstEnergy Corp. (FE). The long-term assessment of supply and demand includes the total current and future capacity resources owned or contracted by MPC and the total load (demand) for the combined FE service territory in West Virginia.

MPC's current internal supply sources include coal-fired steam plants and purchased power contracts. The purchased power contracts include coal and gas-fired generation and both run-of-river and pump storage hydro generation. Potential future changes in the MPC supply sources include acquisition of additional generating capacity and additional purchases from the PJM market.

Like APCo, MPC has historically reached its annual peak demands during the winter months. Because PJM peaks in the summer, for PJM planning purposes, the adequacy of MPC capacity is measured during the summer months. Although on a stand-alone basis it would be normal to project the MPC supply and demand balances at the time of the annual winter peaks, for purposes of this report, the Commission is using the summer demand levels that are used for PJM planning purposes. It is likely that projected reserve margins will be less or projected deficits will be greater in the winter when MPC reaches its internal peaks. If MPC requires more capacity at the time of its internal winter peak, that capacity will be available from the PJM market.

Projected capacity of MPC reflects significant derating of its share of the Bath County pumped-storage capacity beginning in 2020. This decrease is based on a current understanding of the PJM Capacity Performance rules, but may change when the PJM tariffs relating to Capacity Performance are finalized.

A summary of the MPC projected capacity supply and demand for the forecast period is reflected below. The MPC data reflects a gradual decline in the calculated reserve margin in addition to the margins already built-into the PJM UCAP values, reaching a negative position during the forecast period. Absent significant changes in actual values from the projections, at some point during the forecast period, MPC will have to consider adding new capacity. MPC has indicated that it believes its declining reserves should be offset by the purchase of additional coal-fired capacity from an existing source in the near future. Because of uncertainty about the amount and timing of that addition, or any other additions to the MPC UCAP capacity, capacity additions above existing resources have not been reflected in the following table.

<b>Projected Supply and Demand - 2016 through 2025 (1) Based on Summer Internal Load and PJM UCAP Obligations and Capacity</b>				
	<b>MPCo /PE(WV)</b>			
<b>Year</b>	<b>Total Internal Load UCAP Obligation</b>	<b>UCAP Capacity (2)</b>	<b>Reserve Margin In Addition to Margins Already Built-Into UCAP Values</b>	
	<b>(MW)</b>	<b>(MW)</b>	<b>(MW)</b>	<b>(%)</b>
<b>2016</b>	2,780	3,357	577	20.8%
<b>2017</b>	2,840	3,357	517	18.2%
<b>2018</b>	2,902	3,357	455	15.7%
<b>2019</b>	2,966	3,357	391	13.2%
<b>2020</b>	3,031	3,118	87	2.9%
<b>2021</b>	3,061	3,118	57	1.9%
<b>2022</b>	3,092	3,118	26	0.8%
<b>2023</b>	3,123	3,118	(5)	-0.2%
<b>2024</b>	3,154	3,118	(36)	-1.1%
<b>2025</b>	3,186	3,118	(68)	-2.1%
<b>Notes:</b>				
<b>(1) Includes MPCo total company UCAP capacity resources and summer peak UCAP load obligations plus PE(WV) summer peak UCAP load obligations.</b>				
<b>(2) Includes MPCo owned generation and long-term power contracts.</b>				

## **PJM Interconnection LLC**

PJM Interconnection (PJM) is a regional transmission organization that operates the transmission grid delivering power in all or parts of Illinois, Michigan, Indiana, Ohio, Kentucky, Tennessee, North Carolina, Virginia, West Virginia, Maryland, the District of Columbia, Pennsylvania, Delaware and New Jersey. The PJM grid is made up of the major transmission facilities owned by a large number of integrated electricity utilities, transmission companies spun off from former integrated electric utilities and new transmission companies. These transmission owners have turned over the operation of

their interconnected transmission lines to PJM. As the grid operator, PJM conducts ongoing long-term regional planning that projects load within the system. Based on overall absolute load levels and the geographic locations of the load increases or decreases, PJM evaluates potential locational transmission bottlenecks and reliability issues. The end result of the evaluation and planning process is the identification of transmission upgrades and new construction necessary to ensure the ability to reliably deliver power currently and over the long-term planning horizon. PJM notifies the transmission owners of the need for system upgrades and the transmission companies are responsible for installing the necessary upgrades and new transmission lines.

PJM also operates a competitive wholesale electricity energy market within the region served by the transmission facilities under its control. Generation providers can bid their production volumes and prices for delivery into the market on the next day, and load-serving entities bid their load requirements and prices they are willing to pay the market on the next day (day-ahead market). PJM matches generation and requirements on a regional and locational basis and determines the price at which power will enter the market. The market price for power can vary based on location and time of day. In addition, PJM manages a real-time power market to price power necessary to serve hourly supply and demand fluctuations from the day-ahead market commitments.

In addition to hourly day-ahead and real-time energy markets, PJM operates a capacity market. The capacity market is based on the PJM long-term Reliability Pricing Model (RPM). In addition to capacity buyers and sellers, the RPM takes into consideration the continued use of self-supply and bilateral contracts by load-serving entities electing to self-supply. The capacity auctions obtain the remaining capacity that is needed after market participants have committed the resources they will supply themselves or provide through contracts. PJM receives bids for long-term capacity from suppliers and, based on the bidding process, develops the prices that will be paid for future capacity. By going to a longer term RPM, PJM provides price signals to capacity suppliers and load.

## **Appendix D**

### **Gas Utilities Supply – Demand Forecast 2016 - 2025**

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**January 2016**

## **Executive Summary**

This report presents general information regarding the current natural gas supply and demand conditions as well as future natural gas supply and demand over the 2016-2025 period in West Virginia. Information sources for natural gas oriented government agencies, industry groups and other organizations are provided at the end of the report. Those organizations include the U.S. Energy Information Administration (EIA), the Colorado School of Mines Potential Gas Committee, the American Gas Association (AGA), and the Natural Gas Price Outlook from Energy Solutions, Inc., among others.

This 2016 report is similar to previous reports, primarily because 1) the actual flowing supplies match all demand in the state at all times (except for minimal unplanned outages); 2) the capacity of unrestrained production far exceeds the current and future projected demand; 3) shale gas development is still occurring; and 4) there have been no significant additions to current or projected demands on utility systems in the state, which includes no power production fuel switching. Therefore, the only changes made are to update the forecast date range, to comment on the likely effects of Senate Bill 390 (passed by the 2015 Legislature) and updated market price forecasts.

This report is prepared and submitted by the Public Service Commission of West Virginia (Commission) in response to a Legislative mandate and is part of a comprehensive Management Summary Report that is also submitted annually to the West Virginia Legislature.

The 64<sup>th</sup> West Virginia Legislature (1979) stated in West Virginia Code §24-1-1(d)(3) that the Commission should, as part of an Annual Management Summary Report, describe in a concise manner “the current balance of supply and demand for natural gas and electric utility services in the state and forecast the probable balance for the next ten years.”

Prior to 1979, the wholesale price of natural gas was regulated and capped by the Federal Government. There was some concern at that time that suppliers of natural gas were reluctant to produce and market their supplies and that exploration for new supplies was somewhat curtailed due to what some believed to be artificially low and unprofitable wholesale prices. The Legislature was concerned about these factors and was interested in learning more about the natural gas production industry in West Virginia and what role the Legislature might play in it.

Prior to the passage of the Federal Natural Gas Policy Act of 1978 (NGPA), the natural gas market was experiencing production shortages that many believed were a direct result of federal price controls. The NGPA addressed the situation by devising a schedule of price decontrol over time, reducing barriers between interstate and intrastate markets, and providing incentives for gas exploration and development. The original

NGPA schedules for gas that remained price regulated or partially regulated have now been eliminated, and today wholesale natural gas prices are market-driven and are subject to various market forces, much like the prices of any other publicly traded commodity.

West Virginia is a major gas producing state and exports far more native production gas than it consumes. The state also has multiple access points to interstate gas from other production areas and major gas storage areas. This report focuses on the physical availability of supplies of natural gas and the outlook for the next ten years. Based on recent developments of new natural gas reserves, mostly in the Marcellus Shale production layers in the Appalachian Basin and elsewhere in the United States, there is a more than ample supply for the coming decade and beyond. At the end of this report are several resources that support this statement.

The Natural Gas Utility Position section of the report sets out basic information provided by the major natural gas public utilities in the state, and shows that the expected demand of all customer classes is essentially flat for the next ten years, as it has generally been for the past two decades or so.

Natural gas public utility companies buy gas based primarily on a national market price basis, and recover costs through rates that contain additional storage and transportation costs and adjustments due to past-period over- or under-recoveries of gas costs.

### **Origin of Report and the Current Situation**

Language in West Virginia Code §24-1-1(d)(3) indicates that the Legislature was interested in the gas industry as it existed and operated in the early to late 1970s and into the early 1980s. Prior to the passage of the NGPA in 1978, and for the first few years afterward, natural gas prices at the wellhead were regulated with a maximum allowable price. As production costs escalated with inflation, the producers saw their profits decrease to the point that it was no longer attractive to drill new wells or, in some situations, continue to produce wells that had already been put into production, therefore increasing the Legislative interest in shut-in wells.

The situation became so severe that there were moratoria put into place restricting the addition of new distribution customers essentially nationwide. This resulted in an increase of all-electric housing and businesses expanding in metropolitan areas of the country.

The Industrial Fuel Use Act of 1978 was enacted and dictated the allowable uses of natural gas by industry. The use of natural gas in industrial boilers, including for the

generation of electricity, was not allowed. This led to conversion of boilers to fuel oil and reduced natural gas use in industrial boilers.

The Natural Gas Utilization Act of 1987 repealed much of the Fuel Use Act at about the same time wellhead prices became fully deregulated under the NGPA, and the commodity began trading on a national commodity market basis. Both supply and demand, as well as prices, rose significantly. These actions greatly reduced concerns over adequate supplies in the near term.

Beginning around 2007 and continuing today, huge new supplies of gas are becoming available and recoverable due to advances in deep well and horizontal drilling technology and economic feasibility, along with the accompanying hydraulic fracturing process. Although there are some issues with the practice that remain to be addressed, the vast majority of experts in the industry and regulatory world expect the practice to continue and become even more efficient and productive. Estimates by industry, government and academia show there is more than ample supply for the long term, with most saying there is recoverable supply in North America to cover needs for 100 years or more. The abundance has driven the price of natural gas to near record low levels as compared to prices over the last 25 years. There continues to be a large increase in the use of gas for electric generation and other industrial applications, and the exporting of liquefied natural gas to other countries will soon begin.

Because of the dramatic changes in the industry (which are mirrored by production and consumption activities in the Appalachian Region and West Virginia), the Commission has also decided to include the current status of a robust natural gas supply market as opposed to limiting our discussion to the supply side concerns of forty years ago.

### **Marcellus Shale Impact on Supply**

The feasibility of extracting natural gas from the Marcellus Shale formation in the Appalachian Region has resulted in increased drilling and production activity in West Virginia over the past ten years. This gas has long been known to exist in the formation, but until improvements in deep well and horizontal drilling capabilities were made the resource was not attractive to producers. After 2006, the supply has grown to the extent of driving wellhead prices down to a level where new drilling is slowing. Recently, production activities have shifted to oil-bearing areas in the Eastern United States formations, most notably the Utica Shale, and to “wet” gas zones in the Marcellus formation. This shift in production activities may slow, but will not eliminate production of natural gas from non-traditional formations. As producers develop oil-bearing formations, gas that coexists with the oil must also be produced.



Because demand has not kept up with supply, there is currently activity aimed at preparing to export more liquefied natural gas from the United States to foreign markets. There is also increased activity to encourage the use of compressed natural gas as vehicular fuel. Because of the low prices and environmental regulatory actions regarding air quality, natural gas use for electric generation is increasing dramatically, though not in West Virginia. Despite all of these demand increases, there remain expectations of some increases in price as compared to the recent extreme lows, but prices will still remain relatively low. In its *Short-Term Energy Outlook*, released in November 2015, the EIA indicated that it expects prices to stay basically flat through 2016 and remain very low. EIA expects the Henry Hub price will average \$2.59 per MMBtu in the 2015/2016 heating season, compared to \$3.35 in 2014/15.

### **Local and Regional Concerns**

The Marcellus drilling activity is creating some concerns on the supply side in terms of what is happening to conventional local production supplies and the midstream gathering pipelines that carry it, as well as some interstate pipelines upon which local distribution companies rely for supply deliveries.

There are several issues for consideration. Much of the Marcellus gas is “wet” and contains high levels of heavier hydrocarbons and water vapor. Higher pressures are being used in existing and new pipelines carrying Marcellus gas. Existing conventional production is declining and new conventional drilling is slowing as producers focus on Marcellus production.

Wet gas has special handling and treatment needs. The heavier hydrocarbons, such as propane, butane and ethane, cause the gas to have significantly higher Btu content, which is sometimes not tolerated well, or is even unusable in today’s modern, high-efficiency appliances. This requires more stripping to make the gas useable in normal consumer gas-using appliances. Because the hydrocarbons often condense out of the gas and collect in the pipelines and other gas handling equipment, the pipelines must be cleaned frequently. This causes planned and occasional unplanned outages. Drier gas from conventional production fields is more likely to be useable by customers upstream of drying facilities. Marcellus gas customers along the gathering pipelines and transmission upstream of compression and drying equipment must take precautions to accommodate the wetter gas and may even have to abandon their traditional field-line-quality sources of supply.

Continued availability of natural gas to many rural customers may also be affected by the higher pressures typically used in pipelines transporting Marcellus gas to facilitate the production and transportation of much higher gas volumes. Producers and

transporters are reluctant to allow customers on higher pressure pipelines for liability and operational reasons. Additional pressure regulating equipment may be necessary at a substantial cost.

Conventional production from existing wells is declining in some areas of the state as producers focus on the higher value Marcellus production. Many of the conventional wells are marginal producers and are not worth reworking or even maintaining. As a result, those wells are left to produce what they can in their remaining life and then are capped and eventually plugged. Volumes in field lines from those depleting existing wells will be reduced and pipelines will be increasingly in danger of being abandoned. This is having, and will continue to have, the effect of local pockets of field line customers being abandoned. Some distribution areas served by local distribution companies are in danger of losing access to sufficient quantities of gas. Additionally, large amounts of capital that would normally be used to fund new conventional drilling are being redirected to the Marcellus and other shale formations, leaving conventional gas in the ground in various parts of the state, primarily Southern West Virginia.

One other area of concern is the uncertainty regarding governmental actions that could affect hydraulic fracturing (fracking). Even after there is a complete review by the EPA, there will likely be continued opposition to fracking. Although the EPA has been studying fracking, no final report has been issued as of this writing. In the meantime, there will be continuing concern expressed by many groups concerned that fracking can impact water supply sources.

In December 2012, the EPA issued a progress report on its detailed, multifaceted study that includes data gathered from hundreds of natural gas and oil wells across the country. In its progress report, the EPA listed major areas of the fracking water cycle that it is studying. They include the impact of large water supply withdrawals to provide the fracking water, the possible impact of surface spills on drinking water sources, the effects of injection and the fracturing process on drinking water supplies, how fracking wastewater could affect water supplies and the possible effects of inadequate treatment of fracking wastewater. To date, there is no significant evidence of contamination of groundwater due to the practice. A draft of the EPA report was released in August 2015, for public comment and peer review. Additionally, more recent concerns have arisen concerning increased seismic activity that may be related to fracking.

## **Increased Expenditures by Natural Gas Utilities to Upgrade, Replace and Expand Pipelines and Other Infrastructure**

Senate Bill 390 was passed by the West Virginia Legislature on March 13, 2015. The legislation was signed by the Governor and went into effect ninety days from passage. The law authorized the Commission to approve expedited cost recovery of natural gas utility infrastructure projects deemed just and reasonable and in the public interest. In passing the legislation, the Legislature found that:

A natural gas utility infrastructure program will create jobs, provide for continued and enhanced safety and reliability of aging gas infrastructure, provide for more economic natural gas service, and provide natural gas utility service to new customers in areas of the state that are unserved or underserved.

The Commission received two filings in 2015 for revenue requirements on increased expenditures pursuant to the SB 390 infrastructure program. An Order was issued on December 23, 2015, in the Mountaineer Gas Company Case No. 15-1256-G-390P. That Order approved and adopted a Joint Stipulation that, among other things, authorized the Company to implement its 2016 Infrastructure Replacement and Expansion Program and authorized an annual revenue increase in the amount of \$565,758 for recovery of related costs by Mountaineer Gas Company.

The second case, filed by Hope Gas, Inc, dba Dominion Hope (Case No. 15-1600-G-390P), remains open at the time of the preparation of this report. A Joint Stipulation was filed in that case on January 7, 2016. That Joint Stipulation, among other things, recommends approval of the Hope Infrastructure Replacement Program and recovery by Hope Gas of an increased revenue requirement related thereto in the amount of \$862,014.

As natural gas utilities expend larger amounts to replace, upgrade and expand their pipelines and other infrastructure, there will likely be increased expansion of gas utility infrastructure into unserved and underserved areas of the state. The law has been in effect for less than a year, and at this point, it is difficult to estimate (or guess) what impacts there might be in the form of increased supply or increased demand for utility natural gas service. These issues will be addressed in future reports as further data becomes available.

## **Natural Gas Utility Company Positions**

As with past years' reports, the largest natural gas utilities operating in the state provided information regarding their long-term (ten-year) supply and demand projections. Their responses show that very little change is expected in demand over what was reported last year. However, two disclaimers should be noted. First, electric generation operators are studying the economic and environmental feasibility of either switching to natural gas as the sole fuel or using some combination of natural gas and coal in existing plants. They are also factoring in the use of natural gas in planning new generation plants. Second is the possibility of using more natural gas as feedstock for the production of ethylene and other byproducts, which would in turn be used primarily for chemical manufacturing and production of plastics. This activity is in the early to mid-stages of study, and it is not certain whether the suppliers would be the public gas utilities or some other entities in the private gas industry.

## **Conclusion**

Based on the information reviewed by the Commission Staff, the United States and West Virginia have more than sufficient supplies of natural gas available to meet demand for the next ten years (2016-2025) and well beyond. The state's natural gas utilities predict ample supplies for their systems and, at this point, basically flat demand for the coming decade, although they are keeping a watchful eye on possible developments in the electric and chemical industries for what could create large increases in demand. Though system upgrades will be necessary if this occurs, there is high confidence that the available supply will be more than enough to meet that demand.

## **References and Additional Information**

### State Government

- West Virginia Department of Environmental Protection [www.dep.wv.gov/](http://www.dep.wv.gov/)

### Federal Government:

- Energy Information Administration (EIA) [www.eia.gov/naturalgas/](http://www.eia.gov/naturalgas/)

Producers:

- Natural Gas Supply Association (NGSA) Winter Outlook [www.ngsa.org](http://www.ngsa.org)

Interstate Pipelines:

- Interstate Natural Gas Association of America (INGA) [www.ingaa.org](http://www.ingaa.org)

Local Distribution Companies:

- American Gas Association (AGA) [www.aga.org](http://www.aga.org)

Research:

- National Regulatory Research Institute (NRRI) [www.nrri.org](http://www.nrri.org)
- Potential Gas Agency & Potential Gas Committee [www.potentialgas.org](http://www.potentialgas.org)