

Public Service Commission of West Virginia



Management Summary Report

2011

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Commissioner Jon W. McKinney

Commissioner Ryan B. Palmer



Submitted
January 2012

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*Public Service Commission
Of West Virginia*

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January 11, 2012

To the Members of the 82nd Legislature,

It is our pleasure to submit the 2011 Management Summary Report for the Public Service Commission of West Virginia.

This Management Summary Report will convey 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.

Over the last year, the Commission has met and overcome several difficult challenges as part of our effort to properly regulate utilities, including requests for significant rate increases by many of the State's largest utility companies, applications from municipalities, public service districts and water or sewer associations, and other private utilities to expand, upgrade or replace water and sewer infrastructure, and continued implementation of the Alternative and Renewable Energy Portfolio Act.

The Commission handles thousands of Formal Cases each year which may garner the most public attention, although the Commission Staff also handle thousands of smaller cases where a problem is fixed; a payment plan is arranged; utility service is restored; an overcharge related to a software error is corrected; and, severe water or sewer leaks are discovered and corrected. The Commission's skilled and professional Staff continues to play a vital role to the public safety and economic well-being of all West Virginians.

In the last year, the Commission has also made it easier for West Virginians to let their voices be heard online about cases pending before the Commission. The Commission is now accepting public comments on its website in order to facilitate citizen participation in on-going cases and other matters.

2011 also brought national recognition for the Commission's Transportation Enforcement Division that was recognized as the Highest Achieving Transportation Safety Enforcement Program in the United States.

The hard-working, dedicated and knowledgeable people at the Commission will continue their work in 2012, ensuring that reasonably priced and reliable utility services are available to all customers, and to increase business investment, job creation/retention, and the State's overall economic competitiveness.

Respectfully submitted,

Michael A. Albert, Chairman
Jon W. McKinney, Commissioner
Ryan B. Palmer, Commissioner

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, 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 271 attorneys, economists, engineers, auditors, investigators, administrative law judges, accountants, safety and transportation specialists, and support personnel.

The Commission regulates an array of activities, including the provision of electricity, natural gas, water, telecommunications and sewer service by public utilities in the State. In addition to the traditional utility services, the Commission has been assigned the responsibility to regulate activities involving (a) public service stormwater systems, (b) certificates of convenience and necessity, (c) certification of electric wholesale generators (wind turbine, gas-fired or other generating facilities), (d) gas pipeline safety, (e) motor carriers, including economic regulation of transportation of passengers and household goods movers, (f) intrastate solid waste carriers, (g) commercial solid waste facilities, (h) safety, weight and speed enforcement of all commercial motor vehicles (private or for hire) operating in West Virginia including motor carriers involved in interstate commerce, with particular emphasis on high accident areas, (i) transportation of hazardous materials including identification, registration and permitting of commercial motor vehicles transporting such materials in and through state, (j) administration and enforcement of federal and state Railroad Safety regulations governing transportation of persons and property by Railroad Safety rail, (k) third-party towing of vehicles, (l) cable TV regulation and customer service, (m) E-911, (n) natural gas transportation and natural gas provided by producers, (o) preparation of financial and statistical reports, including reports on utility earnings, rate comparisons, gas and electric supply/ demand forecasts, and low income rate discount programs, (p) Veterans grave markers, (q) E-911 towers and fees and, (r) administration of the Alternative and Renewable Energy Portfolio Act.

Meet the Commission

Chairman 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 a six-year term expiring June 30, 2013. On July 1, 2007, he was appointed Chairman. He previously served as a 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 President 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 Education Alliance; Junior Achievement of Kanawha County; and the WVU Law School Visiting Committee.

Chairman Albert graduated from West Virginia University with a B.S. in Business Administration, majoring in Accounting. 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 received his Doctorate of Jurisprudence, with honors. He currently resides in Charleston with his wife, Laura Lee. They have three children, Michael, Jason and Melissa and five grandsons.

Commissioner McKinney

Jon W. McKinney was appointed to the Commission in August 2005. Previously, he had numerous assignments in manufacturing, research and development, and marketing with the Monsanto Company in numerous locations throughout the United States.

Commissioner McKinney is currently Chairman of the Clean Coal Subcommittee and on the Board of Directors for the National Association of Regulatory Utility Commissioners (NARUC). He was recently appointed to The National Coal Council. He serves as a member of the Eastern Interconnect Shareholder Steering Committee. He is Past President of the Organization of PJM States and Past-President of the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC). He serves on the Board of Directors of Thomas Memorial Hospital and St. Francis Hospitals in Charleston. He is also on the Advisory Committee for the Electric Power Research Institute (EPRI).

Commissioner McKinney is a graduate of the University of Kentucky, where he earned a bachelor's degree in chemical engineering, and the University of West Florida where he earned his master's degree in business administration. He currently resides in Charleston with his wife Paula. They have two children, Lisa and Jason, and five grandchildren.

Commissioner Palmer

Ryan B. Palmer was appointed to the Commission in July 2010 to an unexpired term ending June 30, 2015. He previously served as Deputy General Counsel to West Virginia Governor Joe Manchin, III; as Attorney/Advisor to Commissioner Charlotte R. Lane of the United States International Trade Commission; and Law Clerk to the Honorable W. Craig Broadwater of the United States District Court, Northern District of West Virginia.

Commissioner Palmer has volunteered for Charleston Area Medical Center's Challenged Sports Program, which sponsors a variety of statewide sporting competitions for athletes of all ages with physical disabilities, and for the Special Olympics.

Commissioner Palmer is a graduate of West Virginia University, where he earned a Bachelor of Arts Degree in English and a Doctorate of Jurisprudence from the West Virginia University College of Law. His professional certifications include the Fourth Circuit Court of Appeals, the United States District Courts for Northern and Southern West Virginia and the West Virginia State Bar. He also successfully completed the European Union Law summer program through the Tulane University College of Law Summer School Abroad Program at the Tulane Center for European Union Law, University of Amsterdam, in the Netherlands. Born in Morgantown and raised in St. Albans, he and his wife Flavia currently reside in Charleston and have one daughter, Lia Cristina.

Organization

The Public Service Commission of West Virginia consists of eleven divisions and the Consumer Advocate Division (CAD), which is autonomous from the Commission.

Commission

The Commission regulates those persons, firms or government agencies 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 State¹. In addition, the Commission sets statewide policies for utility regulation through rulemaking proceedings; recommends statutory changes that affect utilities and the agency; and sets the administrative policies for the agency.

The Office of the Commission includes the three Commissioners; the General Counsel, who acts as the chief legal advisor to the Commission on cases, policies and other issues facing the Commission and represents the Commission in outside litigation; law clerks who generally assist in providing advice to the Commission and drafting Commission Orders; the Director of Quality Control; an employment attorney; the Communications and Government Relations staffs; 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 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 and handles other personnel related activities. This Section also administers the personnel budget by processing payroll, tax and benefit transactions for Commission employees.

¹ Motor carriers regulated by the Commission include taxi service, specialized limousine service, solid waste, transportation service, third-party towing and household goods movers.

The Information Technology Section is responsible for managing 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 is responsible for coordinating and providing education and skills training for Commission employees and for maintaining training records for the agency. This Section also coordinates certain training seminars provided by the Commission for utilities' staffs located throughout the State.

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 a time period prescribed by the Commission or set by statute in cases referred to the ALJ Division by the Commission. Typically, a Recommended Decision becomes the Commission's Final Order in a case unless modified by the Commission, based on exceptions by a party or on the Commission's statutory authority.

The ALJ Division handles a variety of cases involving public utilities, motor carrier, cable television, and overweight coal hauling on the Coal Resource Transportation System (CRTS). They also decide cases involving complaints from consumers about utilities or motor carriers; rate change requests; applications for a certificate 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 Complaint mediation program. Throughout 2011, mediation was accepted in 20 cases. Mediation was unsuccessful in 2 cases and voluntarily resolved by the parties in two cases. The mediation offer was withdrawn in one case. All other mediations were successful. These numbers do not reflect the cases in 2011 which are the subject of Commission-ordered mediation. Mediation in 10 such cases currently is on-going.

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 provide technical assistance to customers and utility companies, supervise and certify utility meter tests, conduct water pressure tests, investigate voltage levels, investigate taste and odor problems in water, odor and back-up inquiries for sewer, leak detection services, opinions on utility construction estimates and other technical tasks.

The Engineering Division provides recommendations on the merits of proposed water and sewer projects to the West Virginia Infrastructure & Jobs Development Council (WVIJDC), technical comments and assistance on proposed rules and regulations, information and assistance to governmental entities around the State, and technical training for public service districts board members and staff. The Engineering Division also prepares the annual Gas and Electric Supply-Demand Forecast reports.

The Gas Pipeline Safety Section of the Engineering Division is responsible for the application and enforcement of pipeline safety regulations under Chapter 24B of the West Virginia Code and 49 U.S.C Chapter 601, §60105(a), relating to certification with the U.S. Department of Transportation. These rules and regulations relate to design, construction, installation, testing, operation and maintenance of pipeline facilities within the State. The Gas Pipeline Safety Section also investigates pipeline accidents or incidents involving the transportation and distribution of natural gas and hazardous liquids by pipeline.

Executive Secretary Division

The Executive Secretary Division maintains a full and true record of all proceedings, acts, Orders and judgments of the Commission and assures that documents and pleadings in cases are available on the Commission website at 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. This Division processes all Orders and schedules statewide hearings for the Commission and the ALJ Division.

Legal Division

The Legal Division provides legal assistance for the Staff before the Commission in its legislatively-mandated mission in matters before the Commission for adjudication and resolution. The Legal Division represents the Staff of the Commission in proceedings brought before the Commission and Administrative Law Judges and is bound by the rules regarding *ex parte* contact with the Commission and its immediate staff.

The Commission's Legal Division represents the Staff, not individual complainants, in matters before the Commission. The Commission Staff is a formal party to Commission proceedings. They work with the Technical and Financial Analysts to review the positions of all parties to the proceedings and present a recommendation to the Commission for disposition of the matter.

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, the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (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.

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, filing fees for intrastate authority, insurance fees and HazMat (hazardous materials) assessments.

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 is also the responsibility of the Commission. The Commission enforces the Coal Resource Transportation System (CRTS) process for permitting vehicles on certain CRTS designated roads through fifteen West Virginia counties. Coal haulers may purchase a permit through the Commission Transportation Administration Division that will allow for a Gross Vehicle Weight of up to 120,000 pounds depending on their truck configuration. This Section is also responsible for imposing reporting requirements for coal shippers and receivers, especially on the CRTS roads.

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 rising numbers of people and 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. This Division performs inspections on a routine basis in the enforcement officers' designated work areas and at regional road check sites throughout the State during the warmer months. During the winter months, the officers inspect vehicles at the terminal facilities of intrastate carriers. These 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. This program is conducted 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 also 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 also installs and maintains all electronic equipment used by the Transportation Enforcement Division.

Utilities Division

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

This Division is also responsible for addressing 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 Staff also assists customers with quality of service complaints related to cable television and maintains a comparative database of motor carrier costs and rates and conducts both financial and management audits of motor carriers operating within the State.

The Utilities Division also prepares original financial and statistical reports, including reports on utility earnings, rate comparisons and low income rate discount programs.

Water and Wastewater Division

The Water and Wastewater Division provides financial advice and assistance to public service districts, Class III cities, Class IV towns or villages and homeowner associations. Assistance includes matters such as accounting, billing, delinquency collection, security deposits, funding, field operation problems, service extensions, long service lines, leak detection, budgeting, general rule and law interpretation, and conflict negotiations. The Division also provides mandatory and optional training seminars, makes field visits, and issues a quarterly newsletter, in collaboration with the Department of Environmental Protection, the Bureau for Public Health and the Bureau of Risk and Insurance Management, called "The Pipeline".

In 2011, the utility analysts in this Division provided technical assistance to water and wastewater utilities in 363 matters. The average completion time for resolving a technical assistance request during 2011 was approximately three days. The assistance staff is also charged with reviewing, from a financial perspective, the preliminary applications to the West Virginia Infrastructure and Jobs Development Council (IJDC). During this year our utility analysts conducted approximately 96 IJDC reviews. The Division also reviews Annual Reports filed by water and wastewater utilities for quality and accuracy. During 2011, approximately 564 annual reports were reviewed by our utility analysts.

Significant Proceedings

Each year, the Commission considers a number of significant or novel proceedings. A few of those matters from 2011 are summarized below.

Electricity

American Electric Power Rate Case

On May 14, 2010, Appalachian Power Company and Wheeling Power Company, both dba American Electric Power (AEP) filed a Rule 42T application to increase its electric rates and charges by \$155.5 million, or 13.89% (Case No. 10-0699-E-42T).

The Commission's CAD; the West Virginia Energy Users Group; Kroger Company; Steel of West Virginia, Inc.; the South Bluefield Neighborhood Association; Wal-Mart Stores East, LP, and Sam's East, Inc.; and Independent Oil and Gas Association of West Virginia were all granted intervenor status in this proceeding. The Commission held public comment hearings in Wheeling, Huntington, Beckley and Charleston, West Virginia. Over 5,800 public comments were filed in the case.

At the December 15, 2010 evidentiary hearing all of the parties in the case except the South Bluefield Neighborhood Association presented a Joint Stipulation and Agreement for Settlement (Joint Stipulation) in which they recommended, among other things, that the Commission approve rates providing for an additional \$60 million in revenue.

On March 30, 2011, the Commission issued an Order in which the Commission made certain modifications to the Joint Stipulation that lowered the rate increase to \$51.12 million, or 4.6% annually. In its Order, the Commission allowed AEP a lower rate of return, limited the recovery of storm damages and excluded all AEP executive bonuses or supplemental compensation. Also, the Company was ordered to allow residential customers who were not current in their payments the option of enrolling in the Average Monthly Payment Plan, and to allow residential customers whose service had been terminated to include arrearages, customer deposits and reconnection fees in a deferred payment plan.

American Electric Power's Expanded Net Energy Cost Case and the Dresden Plant

On February 28, 2011, Appalachian Power Company, dba American Electric Power (APCo), AEP Generating Company and American Electric Power Company, Inc. (AEP) (jointly petitioners) filed a petition for consent and approval of arrangements among affiliates related to APCo acquiring a partially completed 580-megawatt natural gas-fired combined cycle electric generating plant near Dresden, Ohio (Case No. 11-0265-E-PC).

On March 1, 2011, Appalachian Power Company and Wheeling Power Company, both dba American Electric Power (APCo/WPCo) filed their 2011 Expanded Net Energy Cost (ENEC) proceeding which included a request for a \$118.8 million or a 9.5% increase (Case No. 11-0274-E-GI). This was the third year of a four year “true-up” to allow APCo/WPCo to recover an accumulated under-recovery of costs resulting from an unprecedented spike in coal prices and a decline in sales of electricity due to the sagging economy. In an ENEC case, customer rates are adjusted to true-up recovery of actual fuel costs, purchased power and net purchased transmission costs and revenue for the previous year, and to reflect projected changes in the utility’s cost of fuel and purchased power for the year ahead. The ENEC process does not involve the recovery of profit, rate of return on investment, or salaries and wages.

APCo/WPCo requested innovative ratemaking treatment related to the Dresden Plant in the ENEC proceeding. Thus, the Commission addressed Case Nos. 11-0265-E-PC and 11-0274-E-GI in one proceeding.

The Commission’s CAD, the West Virginia Energy Users Group, Steel Of West Virginia, Inc., The Kroger Company and Century Aluminum were all granted intervenor status in these cases. An evidentiary hearing was held in Charleston on May 26-27, 2011.

On June 30, 2011, the Commission issued an Order in both of the cases in which it approved a \$98.7 million or 7.9% rate increase for APCo/WPCo for their ENEC costs and approved APCO’s proposed purchase of the Dresden Plant. The Commission did not allow any rate component for the projected cost of the plant.

FirstEnergy/Allegheny Expanded Net Energy Cost Case

On September 1, 2011, Monongahela Power (Mon Power) and the Potomac Edison Company (PE) filed a petition under the reinstated ENEC process for an annual increase of \$31.9 million, or an overall increase of approximately 2.7 percent, to become effective January 1, 2012 (Case No. 11-1274-E-P). Because of a settlement in the previous base rate proceeding, Mon Power and PE did not file an ENEC case in 2010 and this request was for review of two years of fuel costs. Of that requested increase, \$57.3 million reflected an under recovery balance from the previous two years of fuel costs, which was to be offset by a projected \$22.9 million over recovery for the 2012 rate year and a \$2.5 million rate reduction due to the synergy savings resulting from the merger with First Energy.

The Commission’s CAD, the West Virginia Energy Users Group and the West Virginia Citizens Action Group were all granted intervenor status in this case. On November 14, 2011, those parties and the Commission Staff filed testimony in response to Mon Power and PE’s request. The testimony questioned both the amount of the Companies’ requested increase and also the methodology of collation of the requested increase.

On November 30, 2011, the Commission convened a hearing in this matter. At the hearing a joint stipulation for settlement to the Commission by all parties in the case except the West Virginia Citizens Action Group who did not sign the stipulation but also did not object. Under the terms of the stipulation, the Companies would receive a nominal increase effective January 1, 2012, and they would be required to undertake and file for review a resource plan that evaluates the Companies projected energy needs and the resources available to meet those needs.

On December 30, 2011, the Commission approved the Joint Stipulation.

FirstEnergy/Allegheny Energy Efficiency and Conservation Programs

On March 31, 2011, Monongahela Power (Mon Power) and the Potomac Edison Company (PE) filed a Phase I Energy Efficiency and Conservation Plan for Commission approval (Case No. 11-0452-E-P-T) in accordance with commitments made in Case Nos. 09-0352-E-42T and 10-0713-E-PC.

The Plan is designed to reduce both energy and peak demands by at least 0.5%. The Plan includes home energy audits and appliance replacement programs for low income residential users and rebates for non-residential users who install high efficiency lighting. The Plan is estimated to result in 67,437 megawatt-hours of net energy savings and 13.8 megawatts of demand reduction over the initial five year period. The Companies requested a surcharge be implemented to pay for the cost of these programs. The impact of the surcharge to customers would vary given usage, but under the Companies' proposal, a residential customer that uses 1,000 Kwh of electricity each month would see a \$.10 increase.

The Commission's CAD, the West Virginia Energy Users Group and the West Virginia Citizens Action Group were all granted intervenor status in this case. On October 28, 2011, those parties and the Commission Staff filed testimony in response to the Companies' request. The Commission held a hearing on this matter on December 1, 2011.

On December 30, 2011, the Commission approved the first phase of Allegheny's Energy Efficiency and Conservation Program.

Alternative and Renewable Energy Portfolio Standard Act

In 2009, the West Virginia Legislature enacted the Alternative and Renewable Energy Portfolio Act (Portfolio Act), codified in Article 2F of Chapter 24, of the W Va. Code. Among other things, the Portfolio Act established an alternative and renewable energy portfolio standard, requiring all electric utilities operating in the State of West Virginia to derive a certain percentage of the electricity sold to its West Virginia retail customers and/or to own credits from alternative and renewable energy resources in increasing percentage increments: ten percent by 2015, fifteen percent by 2020, and twenty-five percent by 2025. The Portfolio Act also required electric utilities to file an alternative and renewable energy portfolio standard compliance plan with the Commission for its review and approval by January 1, 2011.

All of the electric utility companies filed their compliance plans as required. The following cases involve requests for certification that are currently pending before the Commission:

- Appalachian Power Company, dba American Electric Power, Case No. 11-1034-E-P, filed on July 19, 2011. In the filing, Appalachian Power Company requested certification of thirteen of its facilities as qualified facilities and also requested certification of four Energy Efficiency/Demand Response programs. Commission Staff filed a Final Joint Staff Memorandum on October 11, 2011, recommending certification of the facilities and programs.
- Monongahela Power Company, dba Allegheny Power, Case No. 11-1184-E-P, filed on August 12, 2011. In the filing, Mon Power requested certification of the Fort Martin Power Station, Harrison Power Station and Pleasants Power Station. On September 16, 2011, Commission Staff filed an Initial and Final Joint Staff Memorandum recommending qualification of the three facilities.

The Commission has approved the following compliance plans:

- Monongahela Power Company and The Potomac Edison Company, both dba, Allegheny Power, Case No. 10-1912-E-CP.
- Appalachian Power Company and Wheeling Power Company, both dba American Electric Power, Case No. 10-1914-E-CP.
- Harrison Rural Electrification Association Inc., Case No. 11-0001-E-CP.
- City of New Martinsville, Case No. 11-0009-E-CP (Commission Order entered September 30, 2011, conditionally approving plan pending outcome of proceeding in Case No. 11-0249-E-P).

- Craig-Botetourt Electric Cooperative, Case No. 11-0026-E-CP.
- Black Diamond Power Company, Case No. 11-0089-E-CP.

The Commission disapproved the City of Philippi compliance plan (Case No. 11-0031-E-CP) and directed the utility to file an amended compliance plan within thirty days addressing the Commission’s concern as to whether the utility’s plan would allow the utility to meet the portfolio standard requirements at a reasonable cost to the customers. The City filed its revised plan. This case is currently pending before the Commission.

In response to the implementation of the Portfolio Act, several entities submitted applications to the Commission for the certification of their electric generation facilities as “Qualified Facilities” capable of generating “Renewable Energy Resource Credits.” The Commission approved certification of the following facilities:

- Longview Power, LLC, Case No. 10-1895-E-P, the Commission entered an Order on June 2, 2011, certifying the Longview Power Plant in Monongalia County, West Virginia as a qualified facility for one year. At the end of that year, the emissions of the plant will be reviewed to decide whether to continue the qualification of that facility. The Commission’s Order denied the request to qualify the facility as advanced supercritical technology until after the study of the actual emissions of the facility.
- American Bituminous Power Partners, LP, Case No. 11-0019-E-P, the Commission entered an Order on June 7, 2011, certifying AmBit’s Grant Town facility as a qualified facility.
- Monongahela Power Company, dba Allegheny Power, Case No. 11-0072-E-P, the Commission entered an Order on July 19, 2011, certifying Mon Power’s Bath County Power Station, Willow Island Unit # 2, and Albright Unit #3 as qualified facilities.
- Beech Ridge Energy, LLC, Case No. 11-0821-E-P, the Commission entered an Order on October 25, 2011, certifying Beech Ridge’s wind farm facility in Greenbrier County West Virginia as a qualified facility. As a renewable energy resource, the Beech Ridge facility is entitled to two credits for every megawatt of generation.

The Commission certified the following out of state projects as qualified facilities. As renewable energy resources, these facilities are entitled to two credits for every megawatt of generation:

- Grant Ridge Energy II, LLC, Case No. 11-0822-E-P, a wind farm facility in LaSalle County Illinois.

- Grant Ridge Energy III, LLC, Case No. 11-0823-E-P, a wind farm facility in LaSalle County Illinois.
- Camp Grove Wind Farm, LLC, Case No. 11-0882-E-P, a wind farm facility in Wyoming, Illinois.
- Fowler Ridge III Wind Farm, LLC, Case No. 11-0883-E-P, a wind farm facility in Fowler, Indiana.

The following cases involve requests by individuals for certification of their homes as solar facilities. These cases are currently pending before the Commission:

- Case No. 11-1635-E-P
- Case No. 11-1636-E-P
- Case No. 11-1637-E-P
- Case No. 11-1638-E-P
- Case No. 11-1639-E-P
- Case No. 11-1640-E-P
- Case No. 11-1641-E-P
- Case No. 11-1669-E-P
- Case No. 11-1680-E-P

Ownership of Alternative and Renewable Energy Credits from PURPA Qualifying Facilities

On February 23, 2011, Monongahela Power Company and the Potomac Edison Company (Companies), filed a joint petition for declaratory Order seeking a ruling that the Companies are entitled to the renewable energy credits (RECs) generated from three “qualifying facilities (QF)” under the Public Utility Regulatory Policies Act of 1978 (PURPA) (Case No. 11-0249-E-P). The QFs are the Hannibal project, a run of the river hydropower facility located in New Martinsville, West Virginia and owned by the City of New Martinsville; the Grant Town project, a facility that uses coal and waste coal located in Grant Town, West Virginia and owned by American Bituminous Power Partners, L.P. (AmBit); and the Morgantown project, a cogeneration facility that uses coal and waste coal

located in Morgantown, West Virginia and owned by Morgantown Energy Associates (MEA). The contracts under which the Companies purchase power from these facilities were executed in the 1980s, long before the creation of RECs, and are therefore silent on the issue of ownership. Under the contracts, the Companies are required to purchase all of the electric output of these facilities.

All three facilities were granted the opportunity to become a party to this matter. The City of New Martinsville and MEA participated in the case but AmBit did not. The Commission's CAD was also granted intervenor status in this case.

Both the City of New Martinsville and MEA argued the RECs belong to them and not to the Companies. AmBit did not participate because it had already ceded ownership of its RECs to the Companies through a letter of understanding in 2007.

The parties to this proceeding completed briefing in May of 2011. Upon review of the record, the Commission found there were still issues of fact to be determined, so the Commission conducted an evidentiary hearing on August 25 and August 26, 2011. On November 22, 2011, the Commission issued an Order granting the Companies request for a declaratory ruling and held the RECs belong to the Companies.

West Virginia Transco

On April 23, 2010, Appalachian Power Company and Wheeling Power Company, both dba American Electric Power and AEP West Virginia Transmission Company, Inc. (West Virginia Transco) filed a petition for consent and approval of affiliated agreements between West Virginia Transco and related AEP companies (Case No. 10-0577-E-PC). West Virginia Transco is a new public service corporation created to plan, construct, own, operate, manage, and control facilities for the transmission of electricity at the wholesale level within the State of West Virginia. If approved, West Virginia Transco would be subject to both West Virginia Public Service Commission and Federal Energy Regulatory Commission (FERC) regulation. Approval of the affiliated agreements would not affect current transmission facilities.

The Commission's CAD and the West Virginia Energy Users Group were granted intervenor status in this case. An evidentiary hearing was held in this matter on June 14, 2011. This case is currently pending before the Commission.

PATH

On May 15, 2009, Potomac-Appalachian Transmission Highline (PATH) filed an application for a certificate of convenience and necessity to construct a \$1.85 billion 765kV

electric transmission line. As originally proposed, PATH would traverse 225 miles in West Virginia and cross the counties of Putnam, Kanawha, Roane, Calhoun, Braxton, Lewis, Upshur, Barbour, Tucker, Preston, Grant, Hardy, Hampshire, and Jefferson. The line was proposed to start at the John Amos substation near St. Albans, West Virginia, and continue northeast through the West Virginia eastern panhandle, terminating at a proposed substation in Maryland. Approximately 200 individuals were granted intervenor status in this case.

On February 28, 2011, the Joint Petitioners filed a Motion to Withdraw the PATH Application, without prejudice, stating the reliability factors driving the PATH project had been pushed into the future. On March 3, 2011, the Commission entered an Order granting the Motion to Withdraw without prejudice.

On June 30, 2011, Commission Staff filed a Petition to Reopen the PATH and TrAILCo proceedings for the implementation and expansion of certain conditions the Commission placed on TrAILCo. Specifically, Staff requested the condition that TrAILCo provide a study to the Commission of the condition of its high-voltage transmission facilities within one year of the in-service date of TrAIL, be implemented immediately and be expanded to include the PATH companies.

On September 7, 2011, the Commission entered an Order denying the Staff Petition because the PATH companies had agreed to provide the information to the Commission and the Commission felt the original time line would provide the information to the Commission in a timely manner.

AES Laurel Mountain, LLC

On November 26, 2008, the Commission issued an Order in Case No. 08-0109-E-CS granting AES Laurel Mountain, LLC (Laurel Mountain) a Siting Certificate to construct and operate a \$250 million, 125-megawatt wholesale electric generating facility with up to sixty-five wind turbines and related interconnection facilities on a ridgeline in Barbour and Randolph Counties in West Virginia.

On November 29, 2010, Laurel Mountain filed an Application for a Waiver of the Siting Certificate Modification Requirements or, in the alternative, for a Modification to the Siting Certificate and Related Requests for Relief requesting that the Commission rule either that no modification to the Siting Certificate is required to construct and operate a 32-MW Energy Storage Device at the Project site, or to grant any necessary modification (Case No. 10-1824-E-CS-PC).

On June 29, 2011, the Commission issued an Order concluding that the addition of the Energy Storage Device is not a material modification of the Siting Certificate. This facility

has been fully operational since September 30, 2011. The generation and storage plant will supply more than 260,000 megawatt-hours of electricity annually.

West Virginia Carbon Capture and Sequestration Working Group

In 2009, the West Virginia Legislature established the Carbon Capture and Sequestration (CCS) Working Group and assigned it the responsibility of studying the scientific, technical, legal and regulatory issues involved with the geological storage of carbon dioxide. A representative of the Public Service Commission was named to the Working Group. The Working Group was directed to provide a preliminary report to the Legislature by July 1, 2010, and a final report by July 1, 2011.

Three sub-committees were formed to review the issues. The Feasibility Subcommittee concentrated on assessing the magnitude of the reductions of greenhouse gas emissions West Virginia may be asked to make and whether carbon capture and sequestration technology can contribute to a potential solution to this challenge. The Geology and Technology Subcommittee looked into the potential uses for sequestration of captured carbon dioxide in the State. The Legal Subcommittee reviewed activities in other States and by other organizations. They also evaluated the consequences of allowing the current legal process to control the acquisition of land to be used for a carbon capture and sequestration project.

The Working Group, and its sub-committees, met on a regular basis from 2009 through the first half of 2011, and delivered its preliminary and final reports to the Legislature on schedule. The efforts of the Group will aid the Legislature in formulating a legal framework that will allow the use of CCS on a widespread basis in West Virginia.

The Musser Company

On June 6, 2011, the Black Diamond Power Company filed a request with the Commission seeking to increase its rates by \$858,106 or 12.3% annually, in order to recover its increased wholesale power costs (Case No. 11-0797-E-30B). Black Diamond has no electric power generating capacity and buys all of its energy requirements from Appalachian Power Company (APCo) as a wholesale power customer in order to serve its retail customers.

Black Diamond's rates are adjusted annually through a surcharge to pass through projected increases or decreases in its purchased power expenses and to "true up" for any over or under recoveries from prior periods. Testimony revealed that although Black Diamond's projected increase in purchased power cost were reasonable going forward, it had over recovered purchased power costs by \$111,211 in the preceding period. It was

recommended that the over recovery be refunded to Black Diamond's customers by netting it against projected power cost increases.

The Commission issued an Order on September 29, 2011, approving an annual rate increase of \$746,895 or 10.7%.

Natural Gas

Mountaineer Gas Acquisition of Ashford Gas

Mountaineer Gas Company is currently the largest natural gas distribution utility in West Virginia operating in 49 counties and serving approximately 220,000 customers. Ashford Gas Company provided natural gas service to approximately 320 customers in Boone and Jackson Counties. On April 1, 2011, Mountaineer and Ashford filed a joint petition for consent and approval for the transfer of utility assets of Ashford Gas Co. to Mountaineer Gas Company (Case No. 11-0460-G-PC). This filing represented a continuation of the process which has taken place over the last several years in which Mountaineer has purchased smaller and sometimes troubled gas distribution utilities.

The purchase price paid by Mountaineer for Ashford's utility assets was \$160,000 which represented about 60% of net book value. The joint petition was granted by Final Order entered July 14, 2011. Based on Mountaineer's rates effective November 1, 2011, Ashford's former customers will experience a reduction in the cost of natural gas service this heating season of approximately 15% compared to the 2010-2011 heating season.

Mountaineer Gas

On November 4, 2011, Mountaineer Gas Company filed a Rule 42T request to increase total annual revenue by \$12,187,218, or approximately 4.9% (Case No. 11-1627-G-42T). The Commission's CAD has filed a motion to intervene.

This case is currently pending before the Commission; a decision is due by August 2012.

Bluefield Gas

On March 24, 2011, the Bluefield Gas Company filed a Rule 42T request to increase total revenues by \$420,917.03 or 6.89% (Case No. 11-0410-G-42T). The Commission's CAD was made a party to this case.

In August, both the CAD and Commission Staff filed testimony that recommended Bluefield Gas' rates be decreased. A hearing was held in this matter in Bluefield, West Virginia on September 20, 2011. After review of all the evidence a Recommended Decision was entered on November 15, 2011 denying Bluefield Gas' request for a rate increase. This case is currently pending before the Commission.

Megan Oil and Gas Company

On April 15, 2011, Megan Oil & Gas Company, serving approximately 282 customers in Calhoun and Gilmer Counties, filed a Rule 42T request to increase annual revenues by \$97,151 or 64.51% (Case No. 11-0532-G-42T).

Megan produces most of the gas supply sold to its retail customers. However, most of Megan's gross revenue and operating expenses are related to the production and wholesale market sale of natural gas to Dominion Transmission which activity is separate from its public utility operation regulated by the Commission in this filing. Because most of Megan's business relates to the production and sale of gas in the wholesale market, it was necessary to develop factors to allocate a proper sharing of expenses generally, and payroll related expenses particularly, between wholesale and retail operations in order to determine the levels of expense properly recoverable from gas distribution customers.

On September 15, 2011, the Administrative Law Judge assigned to the case issued a Recommended Decision reducing Megan's rates by \$49,899 or 30.82%. On September 29, 2011, Megan filed exceptions to the Recommended Decision relating to the following issues: allocation of employees' salaries and distribution system maintenance; disallowance of the recovery of \$7,400 of royalty expense; lost and unaccounted for gas costs of \$10,452 from purchased gas expense as well as most of Megan's claimed rate case expense; and by adoption of a 9.75% return on equity, imputed capital structure and overall rate of return on rate base.

On October 27, 2011, the Commission entered an Order granting a portion of Megan's exceptions and awarding an annual increase in rates of \$24,389 or 15.06%.

Natural Gas-Purchased Gas Cost Cases

Under the Commission's Rule 30C procedure, natural gas utilities can file annually to adjust the purchased gas component of their rates. This purchased gas adjustment procedure (PGA) allows the utility to recover the costs it pays suppliers for the gas it delivers to gas customers. The PGA cost of purchased gas typically comprises between 70-80 percent of a customer's winter heating bill. The prices that a natural gas utility pays its suppliers for gas are not regulated by either the Commission or any federal government agency, but are

determined by the market. Over the years, the market-driven price has been extremely volatile and influenced by any number of external factors.

Following a review of rate filings by natural gas utilities, the Commission ordered that most residential customer gas rates to recover the cost of purchased gas across the state should be lower this heating season than last winter. Customers served by Mountaineer Gas, Equitable Gas, Consumers Gas and Bluefield Gas are among those who can expect lower bills. Hope Gas is the only major natural gas company to request an increase in their PGA rate this year. The increase is to make up for an underrecovery of gas costs in previous years.

Interim Purchase Gas Cost Rates Winter 2011-2012

Company and Case No.	2010 PGA \$	Requested PGA \$	Increase or Decrease %	Adjustment \$ per MCF	New Rate for PGA Portion of Gas Bill
Tawney Gas Services, Inc. 11-1051-G-30C	6.21	9.1873	+ 36%	+ \$2.23	\$8.45
Hope Gas, Inc. * 11-1103-G-30C	4.834	6.646	+34.47%	+ \$1.67	\$6.50
Equitable Gas Co. 11-1107-G-30C	5.28	4.9	- 3.83%	- \$0.38	\$4.90
Mountaineer Gas * 11-1121-G-30C	6.739	6.157	- 8.64%	- \$0.58	\$6.11
Mountaineer Gas (former East Resources)* 11-1122-G-30C	1.461	3.056	No Change	No Change	\$1.46
Blacksville Oil & Gas 11-1123-G-30C	6.009	5.289	- 11.98%	- \$0.72	\$5.30
Union Oil & Gas 11-1124-G-30C	5.831	5.434	- 3.4%	- \$0.40	\$5.43
Consumers Gas 11-1125-G-30C	5.969	5.178	- 13.25%	- \$0.79	\$5.18
Standard Gas 11-1126-G-30C	6.94	6.68	- 3.26%	- \$0.26	\$6.68
Canaan Valley Gas 11-1127-G-30C	5.081	4.448	- 12.46%	- \$0.63	\$4.45
Lumberport-Shinnston Gas 11-1128-G-30C	5.388	5.739	+ 6.51%	+ \$0.35	\$5.74
Southern Public Service Co. 11-1129-G-30C	6.59	5.613	- 14.83%	- \$0.98	\$5.61
Bluefield Gas Co. 11-1130-G-30C	6.5587	6.1257	- 6.60%	- \$0.43	\$6.13
A.V. Company 11-1273-G-30C	1.442	1.16	- 19.56%	- \$0.28	\$1.16

*Represents the rate for residential and general service customers. These companies have multiple rates.

Water and Wastewater

West Virginia-American Water Company Rate Case

On June 22, 2010, West Virginia-American Water Company (WVAWC) filed a Rule 42T application to increase its water rates and charges (Case No. 10-0920-W-42T). WVAWC sought an additional \$18.4 million, which represented a 15.13% increase for furnishing water to its 171,000 customers. On August 9, 2010, the Commission transferred a pending petition for a Distribution System Improvement Charge (DSIC) to this proceeding.

The Commission's CAD; Utility Workers Union of America, AFL-CIO, on behalf of UWUA System Local No. 537 (UWUA); and Steel of West Virginia, Inc. were granted intervenor status in this case. Public comment hearings were held in Sutton, Princeton, Huntington, and Charleston, West Virginia. Hundreds of public comments were filed in the case. An evidentiary hearing was held in Charleston on December 6-9, 2010.

On April 18, 2011, the Commission issued an Order granting \$5.1 million or 4.4% in increased rates and charges and authorizing the use of an Allowance for Funds After Construction (AFFAC) in lieu of a DSIC.

On April 29, 2011, the UWUA requested reconsideration of a portion of the revenue requirement calculation involving salary increases for its members. Specifically, the UWUA asserted that WVAWC was unwilling to include the amount it requested for UWUA member salaries in a collective bargaining agreement that was under negotiation. Thus, UWUA requested that the Commission either direct WVAWC to expand the exact allocation included in the revenue requirement calculation for salaries paid to Union members or remove the unpaid amount from rates.

By an Order entered May 13, 2011, the Commission denied the request for reconsideration.

West Virginia-American Water Company vs. Utility Workers Union of America, AFL-CIO

The Utility Workers Union of America, AFL-CIO, on behalf of UWUA System Local No. 537 (UWUA) filed a complaint case against West Virginia-American Water Company (WVAWC) on May 25, 2011, shortly after the WVAWC's general rate case Order became final (Case No. 11-0740-W-GI). The UWUA alleged that WVAWC improperly reduced its staff by thirty-one employees, thereby jeopardizing the ability of WVAWC to provide safe and adequate water service to its customers.

On May 31, 2011, the Commission issued an Order enjoining WVAWC from reducing staffing levels through involuntary termination unless the employees had already

been terminated. After directing WVAWC to provide additional information regarding its recent staffing reduction, the Commission issued an Order on June 9, 2011, converting the complaint into a general investigation into the staff reductions, its basis, including changes in capital and maintenance spending, and the likely effect on service quality.

The Commission's CAD and the Laborers International Union of North America, AFL-CIO, Local 1353 were granted intervenor status in this case. An evidentiary hearing was held on July 26-27, 2011, in this matter.

On October 13, 2011, the Commission issued an Order which dissolved the May 31, 2011 Interim Relief Order enjoining WVAWC from reducing staff levels involuntarily except for the proposed layoffs involving the Kanawha Valley and Huntington District valve crews; the eliminated position in Webster Springs; the two eliminated meter reader positions in the Kanawha Valley District; and the two eliminated meter reader/field service representative positions in the Huntington District. WVAWC was directed to maintain these positions through the conclusion of the next general rate proceeding or until further Order of the Commission. WVAWC was further directed to maintain its existing valve program and to maintain a minimum complement of 289 positions. Additionally, the Commission directed WVAWC to maintain capital spending at a level that would demonstrate substantial progress toward reducing its distribution infrastructure replacement cycle. The Commission also directed WVAWC to collect certain statistical information and report it on a quarterly basis, and the Commission ruled on a pending request for protective treatment.

On October 31, 2011, WVAWC filed a Limited Petition for Reconsideration of the Commission's October 13, 2011 Order. Specifically, WVAWC requested that the Commission reconsider its determination that WVAWC must maintain a minimum staffing of 289 positions; that WVAWC's proposed termination of one employee at the Webster Springs District constitutes an unreasonable practice; and that certain information not be accorded permanent protective treatment as requested by WVAWC. The petition for reconsideration is currently pending before the Commission.

Regional Development Authority of Charleston-Kanawha County, West Virginia Metropolitan Region, et al. v. West Virginia-American Water Company

On September 8, 2011, the Regional Development Authority of Charleston-Kanawha County, West Virginia Metropolitan Region, Lewis County Economic Development Authority, Oakvale Road Public Service District, and the Lashmeet Public Service District (Partnership Intervenors) filed a petition to intervene in Case No. 11-0740-W-GI. Each of these entities had a relationship with WVAWC in the form of public/private partnerships and ongoing Operating and Maintenance Agreements to provide water service. The Partnership Intervenors stated that WVAWC recently withdrew from a series of proposed projects, including projects with each entity. By an Order entered on September 21, 2011, the

Commission denied the Partnership Intervenors' request to intervene and indicated that they should file a separate complaint if they desired to pursue the matter further.

On October 3, 2011, all the above mentioned organizations along with New Haven Public Service District, Putnam County Building Commission, Jumping Branch-Nimitz Public Service District, and Webster County Economic Development Authority (jointly the Complainants) filed a separate complaint against West Virginia-American Water Company (WVAWC) (Case No. 11-1451-W-C).

The Complainants had each received what they call a “decommitment” letter from WVAWC which indicated WVAWC would no longer financially support public/private investments; it may not provide operation and maintenance services for future extensions; and it may serve new projects through a master meter using WVAWC's wholesale tariff rates or it will operate and maintain such projects subject to a detailed project cost evaluation. The Complainants were concerned about WVAWC's plans to discontinue direct investment in, and possibly discontinue operation and maintenance services for future expansions of their systems. The Complainants request expedited consideration of their complaint. This case is currently pending before the Commission.

Moorefield Wastewater Treatment Plant

The Moorefield/Hardy County Wastewater Authority and the Town of Moorefield filed a joint application on February 18, 2011 to construct and operate a new wastewater treatment plant near Moorefield in Hardy County, to provide services for the Town of Moorefield, Pilgrim's Pride Corporation and to unincorporated areas of Hardy County (Case Number 11-0238-S-CN).

The new plant, estimated to cost about \$36 million, will have a design capacity to treat 4.10 million gallons of wastewater per day, will replace four inadequate facilities and will meet the enhanced and more stringent nutrient removal requirements of the Chesapeake Bay Compact.

The majority of the funding will come from grant funds. An average residential sewer customer using 4,000 gallons of water per month is projected to experience a project-related rate increase of only ten cents per month.

On August 30, 2011, the Commission granted a Certificate of Convenience and Necessity for the new wastewater treatment plant. The Commission determined that the project includes landscaping and building design intended to mitigate the adverse effects on the historical resources and rural nature of the land. The Commission also stated in its Order that flood-related issues had been adequately addressed. This project went to bid in December 2011.

Flowing Springs Treatment Plant

On March 13, 2009, the Jefferson County Public Service District (District) applied for a Certificate of Convenience and Necessity to construct a wastewater treatment plant, approval of financing and related agreements, modification to accounting treatment and usage of the District's Capital Improvement Fee and Capacity Assurance Fee, and for expedited treatment (Case No. 09-0347-PSD-PC-CN). The project was proposed to accommodate growth in the area and to meet the Chesapeake Bay Compact nutrient limitation requirements.

On July 20, 2009, a Recommended Decision was entered by an Administrative Law Judge, approving a Certificate of Convenience and Necessity to construct the plant as proposed. On August 14, 2009, the Commission adopted the Recommended Decision. The Commission originally certificated the project based on growth projections and financing options that were available at that time.

After the original certification was granted, growth projections for the area had fallen, grant money had not materialized and the City of Charles Town revised its plans for upgrades that would allow it to continue to treat flows from Jefferson County and still meet Chesapeake Bay Compact nutrient limitations.

On December 7, 2009, the Commission reopened the case in order to reevaluate the need for the project and cost to customers. Through the course of the investigation, the Commission determined that the City of Charles Town had addressed the Chesapeake Bay requirements through its proposed Tuscowilla sewage treatment plant and future upgrades to the Charles Town treatment plant would be able to provide sewage treatment service to area residents at least until 2025 at lower rates than the District's proposed Flowing Springs plant would have required.

On August 12, 2011, the Commission denied the Certificate of Convenience and Necessity to the District to construct the proposed Flowing Springs wastewater treatment plant and approval of revised financing and rates.

Pocahontas County Public Service District

On August 16, 2010, several landowners in the service territory of the Pocahontas County Public Service District filed a Petition and Complaint asserting the District had failed to timely complete the construction of a new regional wastewater treatment facility previously approved by the Commission, and that failure imperiled project financing and exposed the District to potential fines and other adverse consequences (Case Nos. 10-1279-PSD-C, 11-0028-PSD-PC). The Petitioners requested the Commission force the District to build the regional facility and/or appoint a receiver who would build the facility.

Intervenors in this case include the Snowshoe Property Owners Council and the Pocahontas County Commission.

On November 22, 2010, the Commission conducted a Status Hearing on this matter. At that hearing, the District stated it no longer desired to construct the project that had been approved and that it was in the process of obtaining a new engineering firm to design a new project. On December 9, 2010, the Commission ordered the District to file a petition for approval of the agreement entered into with the new engineering firm. The Commission scheduled a hearing for February 9, 2011.

On January 10, 2011, the District filed a petition for consent and approval of an engineering agreement between the District and Waste Water Management, Inc. (Case No. 11-0028-PSD-PC). By Order dated February 3, 2011, the Commission consolidated the two cases and set a procedural schedule.

The Commission conducted an evidentiary hearing in this matter from April 11-13, 2011. At the conclusion of the hearing all parties filed briefs with the Commission. On May 10, 2011, the Commission entered an Order granting the District permission to enter into the engineering agreement contingent upon the West Virginia Department of Environmental Protection's approval. The Commission's approval was limited to the Phase I, Preliminary Engineering Report and Preliminary Design, which was to be completed and filed with the Commission within six months. This case is pending with the Commission.

Fort Gay Service Quality

In January of 2011, numerous formal complaints were filed against Fort Gay Municipal Water Department regarding quality of water and extended water outages. On May 27, 2011, the Public Service Commission initiated a general investigation into the practices of Fort Gay, and to determine if the Town was a candidate for receivership (Case No. 11-0752-W-GI).

On November 2, 2011, the Town of Fort Gay and the Wayne County Commission filed an Agreement for Voluntary Assistance between the two parties with the Public Service Commission. Further, as part of an ongoing federal matter, Fort Gay has agreed to allow the Wayne County Commission to act as receiver in regard to both its water and sewer utility operations. On November 8, 2011, the Wayne County Commission and Lavalette Public Service District filed a proposed Water Purchase Agreement that includes provisions for the District to interconnect its facilities with the Town of Fort Gay water facilities and to sell water to the Town.

On December 13, 2011, the Administrative Law Judge entered an Order approving a management agreement that permits the Wayne County Commission to assume control of

the Fort Gay Water operation pending receivership and granting permission for the Wayne County Commission and the Lavalette PSD to enter into a water resale agreement. This case is currently pending before the Commission.

Stanaford Acres Sewage System, Inc.

As a result of inability of management to continue to operate the small community sewer system of Stanaford Acres Sewage System, Inc. (Stanaford Acres), the Commission issued an Order on April 2, 2008, that directed Commission Staff to petition the Circuit Court of Raleigh County to request the Stanaford Acres system be placed in receivership. Informal negotiations and attempts to find a willing operator were pursued by Commission Staff.

The Commission reopened the case in 2010 and held a series of status conferences and encouraged those in attendance, including North Beckley Public Service District (North Beckley), to work toward a solution and file reports on what actions needed to take place. On January 31, 2011, North Beckley and Stanaford Acres filed a joint petition for the Commission's consent and approval for North Beckley's acquisition of Stanaford Acres' sanitary sewer treatment and collection system (Case No. 11-0086-PSD-S-PC).

On November 22, 2011 the Commission issued a procedural schedule which set a hearing date of December 13, 2011 for this matter. The parties requested the hearing be cancelled to allow them to continue working on a Joint Stipulation which they hoped to have filed in the coming weeks. The Joint Stipulation was filed on December 29, 2011. This case is currently pending before the Commission.

Rolling Acres Sewer System

On December 17, 2010, the Mason County Commission filed a petition seeking the Public Service Commission's consent and approval for Mason County Public Service District to acquire ownership and operation of the Rolling Acres Subdivision sewer system in Mason County (Case No. 10-1885-S-PC). At the time of filing, the District and the Rolling Acres Homeowners' Association had not agreed to the terms for a transfer. Several extensions were granted in this matter to allow the District and the Homeowners' Association time to come to terms and submit a written agreement to transfer ownership. The County Commission agreed to provide a grant in the amount of \$25,000, to financially assist with repairs and improvements to the Association's system, which will minimize future plant repair costs.

On August 24, 2011, the District and the Homeowners' Association submitted a written agreement for the transfer. Commission Staff was unable to recommend approval of

the agreement as submitted, due to certain terms concerning the rates for customers of the Homeowners Association. The District and the Homeowners' Association submitted a revised agreement, which provided that the District would serve the customers of the Homeowners' Association at the same rates as its current sewer customers. Commission Staff did not object to the revised agreement.

On November 14, 2011, a Recommended Decision was entered approving the acquisition. The acquisition of the Rolling Acres system by the District will serve as a long term solution to keep the system from deteriorating and becoming an environmental or public health problem.

Water and Sewer Certificate Cases

During the course of 2011, the Commission completed the processing of thirty-seven cases in which municipalities, public service districts and water or sewer associations sought certificates of convenience and necessity to expand, upgrade or replace water and sewer infrastructure within their service territories. Typically, the utility seeking a certificate of convenience and necessity for a proposed project submits an application which contains 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 contains financial information describing the sources of funding for the project such as loans and grants, and detailed financial statements projecting 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. 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 rates 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 other Intervenors. Evidence presented will include the need for the project, any need for modifications to the project as proposed, and proper rate levels required to support it, if required. The Commission uses this evidence to determine if the project should be granted a certificate and sets the appropriate rates as required.

Following is a table summarizing those projects for which certificates of convenience and necessity were approved during the period of January 1, 2011, through December 31, 2011.

Public Service Commission – 2011 Management Summary Report

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
McDowell County PSD - Jolo/Paynesville extension	10-0842-PWD-CN	June 9, 2010	\$4,476,158	2,900	177	January 10, 2011
McDowell County PSD - Bartley Extension	10-1439-PWD-CN	September 13, 2010	\$4,197,000	2,900	143	January 4, 2011
McDowell County PSD - Horsepen Extension	10-1585-PWD-CN	October 12, 2010	\$2,357,599	2,900	17	January 24, 2011
City of Philippi - New water plant & improvements	10-1362-W-CN	August 26, 2010	\$14,664,000	1,546		January 12, 2011
City of Wellsburg – Storm water sewer project	10-1520-S-CN	September 27, 2010	\$1,108,250	1,475		January 25, 2011
McDowell County PSD - Coalwood connector	10-1488-PWD-CN	September 22, 2010	\$4,122,600	2,900	113	February 1, 2011
City of White Sulphur Springs - renovate treatment plant and system	10-1513-W-CN	September 27, 2010	\$12,252,750	1,813		February 3, 2011
Claywood Park PSD – Riser Ridge, Lural Fork, Oak Grove, Grieves Run extension	10-1165-PWD-CN	July 27, 2010	\$5,330,000	3,400	328	Feb. 22, 2011
Boone County PSD – Lick Creek extension	10-1861-PWD-PC-CN	December 9, 2010	\$960,000	2,900	40	Feb. 28, 2011
City of Glen Dale – Little Grave Creek Road extension	10-1548-W-CN	October 4, 2010	\$591,000	1,202	63	January 30, 2011
Kanawha County Commission - merger of Upper Kanawha Valley PSD into Chelyan PSD	10-1284-PSWD-PC-NC	August 6, 2010		2,783		January 30, 2011
Charleston Sanitary Board – Kanawha Two Mile line improvements	10-1732-S-CN	November 4, 2010	\$25,877,009	23,990		March 9, 2011
Ravenciff-McGraws-Saulsville PSD - Matheny area renovation and extension	10-1509-PWD-CN	September 27, 2010	\$1,496,000	1,015	83	March 23, 2011
Weston Sanitary Board – New storm sewer and improvements	10-1131-S-CN	March 3, 2010	\$2,217,000	3,050		March 31, 2011
Town of Masontown – Bull Run, North Union, Rohr Road Extension	10-1532-W-CN	September 30, 2010	\$2,985,000	790	94	April 5, 2011
Clover PSD – Otto Road and Vandale Fork extension	10-1379-PWD-CN	August 31, 2010	\$2,940,000	321	75	May 10, 2011
Glen White-Trap Hill PSD – Cove Creek upgrade and extension	10-1900-PWD-CN	December 16, 2010	\$4,671,400	2,004	32	May 10, 2011
Town of Rivesville – Water pressure improvement and line loss reduction	11-0039-W-CN	January 13, 2011	\$5,085,276	610		May 15, 2011
Branchland-Midkiff PSD – Route 10 areas of Lincoln and Wayne Counties extension	11-0214-PWD-CN	February 11, 2011	\$3,270,000	873	154	June 13, 2011
Town of Rowlesburg – System renovation and service extension	11-0218-W-CN	February 14, 2011	\$2,455,000	262	130	June 6, 2011
Town of Delbarton – System renovation and service extension to Pigeonroost Creek, Rockhouse Branch, Pigeon Creek areas	11-0258-S-CN	February 25, 2011	\$9,582,950	496	76	June 20, 2011
Sugar Creek PSD- Wilsie-Tague area extension	11-0237-PWD-CN	February 18, 2011	\$4,180,000	486	138	August 22, 2011

Public Service Commission – 2011 Management Summary Report

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
Enlarged Hepzibah PSD – system upgrade and service extension to Hughes and Gypsy areas	11-0446-PSD-CN	March 31, 2011	\$3,500,000	660	100	June 27, 2011
Town of Beverly – Treatment plant and system upgrades	11-0408-W-CN	March 24, 2011	\$3,885,000	1,150		July 27, 2011
Town of Harrisville – Install automated meter reading system	11-0290-W-CN	March 4, 2011	\$220,000	1,184		August 7, 2011
Marshall County PSD No. 4 – Fish Creek Road and Adeline area extension	11-0327-PWD-CN	March 11, 2011	\$300,000	1,793	22	August 9, 2011
Town of Pine Grove – Replace vacuum system with gravity lines	11-0509-S-CN	April 12, 2011	\$2,221,700	296		August 11, 2011
Gauley River PSD – Zela area extension and to connect to Summersville	10-1727-PWD-CN	November 4, 2010	\$3,325,000	1,105	200	August 22, 2011
Moorefield/Hardy County Wastewater Authority - New wastewater collection, transportation and treatment facilities to serve Town of Moorefield and Pilgrim's Pride Corporation	11-0238-S-CN	February 18, 2011	\$36,355,500	1,093		August 31, 2011
Town of Worthington – Upgrade to meet environmental standards and to expand capacity	11-0266-S-CN	February 18, 2011	\$4,700,000	346		Sept. 15, 2011
Clinton Water Assoc.- Improvements and upgrades to expand capacity	11-0508-W-CN	April 12, 2011	\$2,295,000	3,160		Sept. 20, 2011
City of Romney – Installation of backup generator at water plant	11-0890-W-CN	June 21, 2011	\$510,000	911		Sept. 27, 2011
Crum PSD – WV Route 152 South to intersection of US Route 52 water and fire protection extension	11-0843-PWD-CN	June 13, 2011	\$6,746,000	736	275	October 4, 2011
City of Wellsburg – Water treatment plant retrofit and line replacement	11-0895-W-CN	June 22, 2011	\$2,500,000	1,602		October 13, 2011
Town of Fairview – Fairview and Route 218 extension	11-0464-W-CN	April 4, 2011	\$4,460,000	380	142	October 17, 2011
Town of Reedsville – Inflow and infiltration reduction and Arthurdale extension	11-0424-S-C	March 28, 2011	\$3,423,700	260	54	October 25, 2011
Page-Kincaid PSD - Johnson Branch, North Page area extension	11-0784-PWD-CN	June 3, 2011	\$2,400,000	405	81	October 31, 2011
Town of Tunnelton - Blaser Road, Buckeye Road, Atlantic Road, Route 26 and #4 Road extension	11-0997-W-CN	July 11, 2011	\$1,590,420	366	55	Nov. 2, 2011
City of Parkersburg - First Street, Agnes Street pump stations and mains	11-0954-S-CN	June 30, 2011	\$5,731,700	15,450		Nov. 10, 2011
City of Romney - Installation of secondary power system	11-0890-W-CN	June 21, 2011	\$510,000	896		Nov. 22, 2011

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
Mineral Wells PSD – Rehabilitation and replacement of mains	11-1039-PSD-CN	July 20, 2011	\$4,900,000	1,713		Nov. 23, 2011
Lubeck PSD - Lake Washington, Vaught's Run and Hi-View Terrace extension	09-0925-PSD-SN	June 5, 2009	\$3,860,000	2,290	81	Nov. 29, 2011
City of St. Mary's – Replace water and sewer lines, construct new storage tank	11-0986-WS-CN	July 6, 2011	\$7,744,000	1,100 water, 940 sewer		Dec. 4, 2011
Central Boaz PSD – Replace water lines, new storage tank and telemetering.	11-0889-PWD-CN-PC	June 21, 2011	\$1,400,000	628		Dec. 11, 2011

The total value of the above water and sewer projects for which certificates of convenience and necessity were approved during 2011 was over \$218 million. Twenty-five of those projects extended service to 2,673 new customers.

Municipal Appeals

The Commission does not have the statutory authority for the economic regulation of the 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, however, may invoke jurisdiction under W.Va. Code §24-2-4b suspending the use of new rates adopted by a municipality pending investigation if it receives a petition signed by not fewer than twenty-five percent of the customers within the utility's municipal limits or from a customer served outside of its corporate limits claiming prejudice. In such instances Staff performs a full review of the utility's 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.

Issues which must be resolved vary in complexity from case to case. In the City of Moundsville case for instance (see table below), the Municipal Bond Commission and the U.S. Department of Agriculture had intervened requesting that a temporary surcharge be implemented to extinguish the City's debt service arrearages. This resulted in two-step rates: Step 1 rates were to be charged until the arrearage was extinguished, and Step 2 rates to be charged thereafter. Following the hearing, the Commission either approves the rates adopted by ordinance or sets rates at a different level based on the evidence submitted.

Five water and sewer municipal appeal cases were completely processed through December 31, 2011. Those cases are summarized below.

Utility	Case Number	Ordinance Increase	Staff Recommended	Amount Granted	Percent increase	Customers	Date Approved
City of Keyser	10-1419-W-MA	\$340,226	\$11,524	\$11,524	0.9%	2,243	March 9, 2011
Town of Worthington	11-0691-S-MA	\$75,169	\$83,083	\$83,083	44.2%	305	Sept. 15, 2011
Town of Rupert	11-0767-W-MA	\$41,231	\$41,216	\$41,216	16.8%	566	October 11, 2011
Reedsville	11-0764-S-MA	\$49,000	\$15,500	\$15,500	8.1%	260	October 25, 2011
City of Moundsville – Step 1	11-0628-W-MA	\$628,211	\$380,220	\$586,808	28.2%	4,555	October 26, 2011
City of Moundsville – Step 2	11-0628-W-MA	n/a	(\$119,084)*	(\$117,468)*	(\$4.4%)	4,555	October 26, 2011

* Represents the decrease from Step 1 rates

Public Water and Sewer Rate Cases

During the course of 2011 the Commission processed various cases in which public service districts sought to increase rates and charges to meet increased costs of operation in the normal course of business. Those water and sewer utilities with annual revenues in excess of \$1,000,000 are required to file full financial support for their requested rates. Those proposed rates are published and Staff undertakes a full review of the utility's books and records.

Following its review, Staff files its report(s) resulting from the review and 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 for capital additions.

Based on the evidence presented at the hearing in these cases, the Commission determines a reasonable level of rates. In 2011 there were twelve cases in which the water or sewer utility filed full financial exhibits in support of their rate requests that were completely processed through December 31, 2011, with others in progress. The completed cases are summarized below.

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent increase	Customers	Date Approved
Hughes River Water Board	10-0504-W-PC-42A	\$48,484	\$48,484	\$48,484	16.2%	1,821	January 12, 2011
Southern Jackson County PSD	10-1594-PSD-42T	\$47,046	\$28,624	\$37,706	11.7%	732	March 6, 2011
Lubeck PSD	11-0033-PSD-42A	\$47,427	\$44,044	\$44,044	3.7%	2,290	April 28, 2011
Northern Wayne PSD	10-0634-PSD-42T	\$993,960	\$338,584	\$338,382	17.6%	3,013	May 5, 2011
Marshall County PSD	11-0040-PWD-42T	\$163,167	\$123,839	\$123,839	12.5%	1,793	June 28, 2011
Greater Harrison County PSD	10-1878-PWD-42A	\$180,449	\$138,929	\$138,929	9.3%	3,644	July 27, 2011
Mineral Wells PSD	11-0217-PWD-42A	\$96,403	\$32,296	\$32,296	2.6%	2,426	September 5, 2011
Lubeck PSD	11-0350-PWD-42A	\$87,295	\$36,796	\$56,877	3.2%	4,264	September 7, 2011
Greenbrier County PSD	11-0803-PSD-42T-PC-T	\$187,192	\$80,130	\$80,130	6.6%	2,600	October 20, 2011
Salt Rock PSD	10-0287-PSD-42A	\$290,112	\$0	\$80,681	7.5%	1,547	November 10, 2011
Pea Ridge PSD	11-0952-PSD-42A	\$213,964	\$104,264	\$104,264	4.6%	4,595	December 8, 2011
Friendly PSD	11-1334-PWD-42T	\$9,518	(\$16,015)	(\$16,015)	(3.7%)	724	December 7, 2011

Rule 19A Cases

The Commission’s Rules permit smaller utilities with revenues up to \$1,000,000 to file for increased rates without supporting financial statements. In those instances, Commission Staff actually performs all of the requisite financial analysis 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 does not object to Staff’s recommended rates and there is not significant public protest, the Commission usually approves Staff’s recommended rates without hearing. If the utility objects to Staff’s recommendation or if there is significant public protest, a hearing will be held to determine if Staff’s recommended rates should be approved or modified.

Typically, the issues in this type of case are relatively simple, and the utilities frequently do not object to Staff’s recommendation. Complex issues, however, will arise from time to time such as in the Craigsville Public Service District case in which the Commission had to determine how to spread the cost of recovery of debt service arrearages fairly among high volume and low volume customers. The processing of thirty-two of this type of rate filing was completed though December 31, 2011. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent increase	Customers	Date Approved
Century Volga PSD	10-0587-PWD-19A	N/A	\$97,169	\$97,169	21.6%	946	January 7, 2011
Center PSD	10-1257-PSD-19A	N/A	\$25,843	\$25,843	6.9%	1,046	February 15, 2011
Pendleton County PSD	10-1458-PWD-19A	N/A	\$5,955	\$5,955	1.7%	600	February 16, 2011

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Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent increase	Customers	Date Approved
Webster Springs PSD	10-0882-PSD-19A	N/A	\$16,646	\$16,646	5.9%	689	March 3, 2011
Ogden Sewer Company	10-0734-S-19A	N/A	\$5,307	\$5,307	32.0%	80	March 3, 2011
Wilderness PSD	10-1352-PWD-19A	N/A	\$0	\$0	0%	1,960	March 7, 2011
Wood County Parks & Recreation Commission	10-0893-S-19A	N/A	\$18,060	\$18,060	26.1%	19	March 27, 2011
Paw Paw Rt. 19 PSD	10-1571-PWD-19A	N/A	\$42,003	\$42,003	15.7%	540	March 30, 2011
Frankfort PSD	10-0611-PWD-19A	N/A	\$199,053	\$199,053	19.4%	2,600	May 5, 2011
Clay Battelle PSD	10-1297-PWD-19A	N/A	\$25,010	\$25,010	5.0%	1,620	May 5, 2011
Downs PSD	10-1821-PWD-19A	N/A	\$50,990	\$50,990	17.8%	450	May 10, 2011
Circle Drive Estates Assoc.	10-1231-S-19A	\$7,839	\$4,118	\$4,118	61.3%	40	May 15, 2011
Buffalo Creek PSD	10-1483-PWD-19A	\$43,997	\$99,834	\$99,834	30.2%	1,166	June 6, 2011
Buffalo Creek PSD	10-1827-PSD-19A	N/A	\$54,055	\$54,834	10.1%	1,289	June 6, 2011
Valley Falls PSD	10-1557-PWD-19A	N/A	\$74,149	\$74,149	10.5%	1,580	June 22, 2011
Tri-County Water Association	10-1846-W-19A	N/A	\$21,977	\$21,977	4.9%	888	July 5, 2011
Craigsville PSD	10-1195-PWD-19A	\$68,660	\$22,856	\$55,447	6.5%	1,935	July 15, 2011
Northern Jackson PSD	10-1656-PWD-19A	\$88,621	\$17,875	\$17,875	3.8%	987	July 12, 2011
Huttonsville PSD	10-1777-PWD-19A	N/A	\$22,671	\$22,671	5.3%	1,127	July 20, 2011
Huttonsville PSD	10-1778-PSD-19A	N/A	\$7,109	\$7,109	1.6%	900	July 20, 2011
Carney Park Landowners/ Homeowners Assoc.	10-0886-S-19A	N/A	\$10,861	\$10,861	35.2%	60	July 11, 2011
Mannington PSD	10-1761-PWD-19A	N/A	\$46,866	\$46,866	23.6%	387	July 31, 2011
Whitehall PSD	11-0082-PSD-19A	N/A	\$0	\$0	0%	1,116	August 11, 2011
Sugar Lane Water Association	11-0388-W-19A	N/A	\$4,488	\$4,488	34.85	70	August 16, 2011
Colfax PSD	11-0392-PSD-19A	N/A	\$0	\$0	0%	138	August 15, 2011
Norton-Harding-Jimtown PSD	10-0527-PWD-19A	N/A	\$254,755	\$254,755	22.7%	699	September 16, 2011
Pleasant Valley PSD	11-0270-PWD-19A	N/A	\$21,904	\$21,904	5.3%	924	September 15, 2011
Kopperston PSD	11-0413-PWD-19A	N/A	\$0	\$0	0%	444	September 26, 2011
Montana Water Association	11-0544-W-19A	N/A	\$11,944	\$11,944	10.1%	278	October 3, 2011
Sissonville PSD	11-0686-PSD-19A	N/A	\$67,364	\$67,364	8.4%	1,091	November 1, 2011
Glen Rodgers PSD	11-0920-PWD-19A	N/A	\$5,732	\$5,732	12.7%	221	November 30, 2011
C&J Utilities	11-0919-S-19A	N/A	\$0	\$0	0%	30	December 4, 2011

Rule 30B Pass-through Cases

The Commission’s rules also 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 in resale rates charged to them on an expedited basis. 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 an opportunity for public protest is provided.

In 2011, during the course of review of seven of these filings, it was determined that the utility had reported unusually high levels of unaccounted-for or lost water. In those instances the Commission required the utility to determine the causes of the high water losses, to develop a remediation plan and to report the results of steps taken prior to

approving the interim rate increases as final rates. Processing eighteen of these rate filings was completed though December 31, 2011. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Recommended	Amount Granted	Percent increase	Customers	Date Approved
Pleasant Hill PSD	10-1234-PWD-30B	N/A	\$22,059	\$22,059	9.0%	664	January 13, 2011
East View PSD	10-1403-PWD-30B	N/A	\$6,442	\$6,442	11.8%	260	February 4, 2011
Short Line PSD	10-1042-PWD-30B	N/A	\$37,604	\$37,604	7.8%	1,211	February 22, 2011
Enlarged Hepzibah PSD	10-1167-PWD-30B	N/A	\$33,684	\$33,684	10.8%	827	March 2, 2011
Sun Valley PSD	10-1455-PWD-30B	N/A	\$31,191	\$31,191	7.7%	886	March 30, 2011
Greater Harrison PSD	10-1570-PWD-30B	N/A	\$28,474	\$28,474	2.0	3,143	April 11, 2011
Chestnut Ridge PSD	10-0913-PWD-30B	N/A	\$133,266	\$133,226	31.3%	1,019	March 18, 2011
Summit Park PSD	10-1147-PSD-30B	N/A	\$48,592	\$48,592	18.4%	512	April 26, 2011
East View PSD	11-0234-PSD-30B	N/A	\$18,649	\$18,649	15.2%	421	May 17, 2011
Sun Valley PSD	11-0252-PSD-30B	N/A	\$25,246	\$25,246	22.5%	353	June 16, 2011
Putnam County PSD	11-0368-PSD-30B	\$186,649	\$177,489	\$186,649	3.7%	9,309	June 2, 2011
Ohio County PSD	10-1454-PWD-30B	N/A	\$39,294	\$39,294	2.2%	4,062	August 12, 2011
Preston County PSD No. 2	11-0225-PWD-30B	N/A	\$82,082	\$82,082	17.2%	1,369	August 31, 2011
Ellenboro-Lamberton PSD	11-0038-PWD-30B	N/A	\$8,203	\$8,203	7.4%	221	August 31, 2011
Mt. Zion PSD	10-1814-PWD-30B	N/A	\$28,863	\$28,863	13.6	388	September 15, 2011
Greater Harrison County PSD	11-1223-PSD-30B	N/A	\$3,011	\$3,011	0.2%	1,928	November 22, 2011
Hardy County RDA	08-1582-W-30B	N/A	\$820	\$820	7.8%	80	November 30, 2011
Marshall County PSD No. 4	11-1349-PWD-30B	N/A	\$36,348	\$36,348	3.1%	1,722	November 28, 2011
Central Hampshire PSD	11-0710-PWD-30B	N/A	\$127,901	\$127,901	9.5%	1,246	December 6, 2011

Seminars

Chapter 16, Article 13A, of the West Virginia Code requires newly-appointed public service district board members to attend and complete, within six months of taking office, the Board Members' Mandatory Training Program established and administered by the Commission in conjunction with the Department of Environmental Protection and the Bureau for Public Health. In 2011, two Public Service District (PSD) Board Member Seminars were held in South Charleston and Bridgeport and were attended by 44 participants. These seminars provide a general overview of areas in which board members need to have knowledge and understanding, including regulatory requirements, administrative issues, project financing, legal requirements, liability, technical items, ethics, open meetings, and financial information.

In addition to the Board Members' Mandatory Training Seminars, the Division also presented 9 other seminars with more focused subjects including customer service, utility management, safety, accounting, finance, fraud and budgeting. In 2011, a total of 93 (excludes Board Members Seminar) attendees participated in these types of seminars.

The OSHA Safety Seminar provided attendees the ability to earn an OSHA safety certification card; while water and sewer plant operators can also earn ten Continuing

Education Hours required for their operator's license. These seminars are important for utility personnel and management and were taught by safety specialists with the West Virginia Division of Labor.

In 2011, we also held an Intermediate Accounting Seminar which focused on fraud detection and prevention. The seminar was well received and we anticipate holding it again in 2012.

The Annual Report is the financial, operational, and statistical document that utilities are required to file annually with the Commission. This document also contains performance measures calculations for each utility. Electronic Annual Report Seminars were held at multiple locations across the state, and for the first time were also open to accountants who prepare annual reports on behalf of utilities. This seminar was attended by 11 representatives of various accounting firms and 24 attendees representing 18 utilities.

In 2012, we will be conducting a new "Rule 42 Seminar" at least twice in partnership with the West Virginia Infrastructure and Jobs Development Council (IJDC). This seminar will provide an overview on the IJDC process, requirements for Rule 42s submitted with IJDC applications, and discussions on Rule 42 requirements, for filings at the Public Service Commission, associated with Certificates of Convenience and Necessity as well as for general rate increases.

Plans are under way to hold multiple regional meetings with water and sewer utilities throughout the state in 2012 to address problems and concerns they are encountering and to provide assistance in addressing Financial, Managerial, Administrative, and some Technical issue areas. In addition, we plan on shifting the focus for Annual Reports from workshops to on-site assistance at individual utilities to address particular areas of need.

Telecommunications

Frontier Quality of Service

On October 26, 2010, the Commission initiated a general investigation into certain aspects of the handling of the acquisition by Frontier of Verizon including the cutover steps, problems encountered, how the problems were resolved, likelihood of continuing problems, steps taken to anticipate problems and limit occurrences, and steps taken to address billing problem (Case No. 10-1663-T-GI). A hearing was held on November 23, 2010.

The Commission issued an Order on January 25, 2011 concluding that the reporting requirements that were a condition of sale in Case No. 09-0871-T-PC should continue. The Commission also ordered Staff to continue to monitor Frontier's progress in meeting the quality of service metrics. This case was dismissed.

PSC Orders Phone Companies to File Plans Dealing with Outages

On October 12, 2010, the Kanawha County Commission on behalf of itself, its Metro 911 agency and several emergency service providers, filed a letter requesting a general investigation to review protocols for local exchange carriers to notify 911 centers during significant telephone service outages, and require the carriers to provide prompt notice of outages (Case No. 10-1604-T-GI). The request apparently arose from an October 10, 2010 telephone service outage to FiberNet, LLC (FiberNet) customers. During that outage, the Charleston Fire Department lost its telephone service, severing its connection with the local 911 center for several hours.

On March 25, 2011, the Commission ordered the local exchange carriers that provide landline service to formulate and file plans with the Commission for notification to 911 centers of service outages of 200 lines or more, that last an hour or more. Those carriers include Frontier West Virginia Inc.; Citizens Telecommunications Company of West Virginia dba Frontier of West Virginia; Digital Connections, Inc.; Hardy Telecommunications; Spruce Knob Seneca Rocks Telephone, Inc.; Gateway Telecom, LLC dba Stratus Wave Communications, LLC; FiberNet, LLC; War Acquisition Corp., dba OTT Communications; Armstrong Telephone Company (Northern Division and West Virginia); West Side Telecommunications; and Citynet West Virginia, LLC. Additionally, FiberNet was directed to consult with the Kanawha County Commission before filing its plan with the Public Service Commission.

Emergency Operations Center of Kanawha, et al. v. YMax Communications Corporation and magicJack, LP

On March 22, 2010, the Kanawha County E911 Center filed a formal complaint against YMax Communications Corporation and magicJack, LP (Case No. 10-0383-T-C). According to the Complainant, the Defendants were providing internet protocol-enabled communications services to West Virginia residents, but were not collecting and remitting E911 fees from their subscribers. Providers of IP-enabled communications services are required by law to collect E911 fees and remit them to county E911 centers.

The case involved at least four legal entities including YMax, magicIn, magicOut and magicJack, LP. The most critical issue in the case was whether or not magicJack, LP customers are provided with E911 service, and if so, who pays for it.

The Commission issued a Final Order in this matter on October 7, 2011. The parties had entered into a stipulation that was limited to the parties involved and not all telecommunication providers or other E911 centers. Under the agreement magicJack was to

begin billing for E911 fees and was to implement the billing system within six months of the Commission's October 7, 2011 Order.

West Virginia State Police Petition for Implementation of a Statewide 311 Service

The West Virginia State Police filed a petition seeking Commission consent and approval for statewide authority to be assigned 311 (Case No. 11-1196-T-P). The City of Parkersburg had previously requested 311 authority in Commission Case No. 10-0442-T-PC, and submitted tariffs for 311 authority in Commission Case No. 10-1780-T-T. Frontier Communication's tariff for 311 approval in Commission Case No. 10-1780-T-T noted that the service was for municipal purposes.

The Commission issued an Order on November 10, 2011, requiring statewide publication for comments and possible interventions. This case is currently pending before the Commission and has been met with substantial opposition.

FiberNet Early Termination Fees

On December 17, 2010, Cebridge Acquisition, LLC dba Suddenlink Communications (Suddenlink) filed a formal complaint against FiberNet, LLC (FiberNet) and NTELOS Inc. (NTELOS) (Case No. 10-1886-T-C). Suddenlink alleged that FiberNet and NTELOS had not complied with Condition No. 5 of the November 12, 2011 Order in Case No. 10-1204-T-PC and had continued to charge termination fees to customers who have bundled local and long-distance telephone service. Suddenlink also stated that FiberNet failed to send notice to customers affording the opportunity for transferred customers to change existing service bundles without incurring termination fees, also as required by Condition No. 5. Numerous formal cases were filed at the Public Service Commission against FiberNet regarding the waiver of Early Termination Fees (ETF) when subscribers migrated to another carrier from FiberNet. Frontier was granted intervenor status.

The Commission convened a hearing in this case on August 22, 2011. At the request of the parties, the Commission set aside the morning of the hearing to allow the parties to continue settlement negotiations. At the afternoon session, the parties presented the terms of a joint stipulation resolving all issues among the parties.

On August 26, 2011, Suddenlink, FiberNet, NTELOS, and Frontier filed the Joint Stipulation and Agreement for Settlement addressing and resolving all outstanding issues among the Stipulating Parties. The Joint Stipulation noted that Commission Staff did not object to the agreement, although Staff did not sign the Joint Stipulation. The Commission accepted the Joint Stipulation in a September 8, 2011 Order. As a result, most of the formal customer complaints have been satisfactorily resolved.

Cell Tower Fund

In 2011, the Commission approved four Tower Fund grant applications, as recommended by the Tower Access Assistance Fund Review Committee, one in the amount of \$246,090 for the Pendleton County (Hunting Ground) Project; a second in the amount of \$246,090 for the Pendleton County (Cave Mountain) Project; a third in the amount of \$493,578 for the Marshall County (Cameron Tower) Project; and a fourth in the amount of \$346,859 for the Kanawha County (Cabin Creek) Project.

Lifeline Awareness Week

The Commission recognized September 12-16, as “Lifeline Awareness Week.” The programs involved are Lifeline and Link-Up, which provide discounted telephone service and connection charges for low-income residents.

Under the Federal Lifeline program, telephone customers who participate in or are eligible for certain public assistance programs are entitled to receive a basic telephone service discount from a few dollars up to approximately \$14-\$15 a month. Link-Up provides a 50 percent reduction in the telephone service installation charge, up to a maximum of \$30, for qualifying households that do not currently have telephone service. Companies serving the vast majority of West Virginians offer the programs, including some cellular companies.

Transportation

Officers in the Commission’s Transportation Enforcement Division undertook several initiatives to increase commercial vehicle safety on our highways including conducting a non-stop 72 hour road check and participating in Brake Safety Week sponsored by the Commercial Vehicle Safety Alliance and the Federal Motor Carrier Safety Administration, while working to increase safety enforcement for commercial motor vehicles on interstate highways and heavily traveled roadways.

In 2011, the Safety Enforcement program was recognized as the Highest Achieving Transportation Safety Enforcement Program in the Country among states receiving less than \$2 million annual funding. The award is presented each year to the most productive and focused safety enforcement program for interstate and intrastate motor carriers. This is the first time West Virginia has ever received this award.

During the past year, Commission Enforcement Officers increased the number of Level 5 (terminal) inspections by approximately 26.55% percent.

In 2011, the Railroad Safety Program ranked fourth in the country by the Federal Railroad Administration's (FRA) State Rail Safety Participation Program. Average work outputs for the PSC Railroad Safety inspectors exceeded the production of all but three programs in the 30 states that are involved in the FRA's State Rail Safety Participation program. Work performance included the number of days worked, reports submitted, units inspected, safety defects recorded and corrected and safety violations assessed.

Matthew Epling, an Officer in the PSC Transportation Enforcement Division, was recently appointed by the Commercial Vehicle Safety Alliance (CVSA) to the International Safety Team. The CVSA International Safety Team recognizes the efforts of those who go above and beyond the call of duty by making a significant impact on commercial motor vehicle and highway safety and an overall reduction in crashes and deaths. Epling is one of six individuals from across North America selected to the 2012 International Safety Team. This is the first time an officer from West Virginia has been appointed. Epling will serve the year long appointment representing Region Two, which includes fourteen States and American Samoa.

Motor Carrier and Solid Waste Rates

Fuel Surcharges

The Commission has continued to respond to the high cost of fuel for motor carriers by reviewing and adjusting, as needed, fuel surcharges for regulated motor carriers that remain in effect today. 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, 2012, through June 30, 2012.

The average price per gallon for unleaded regular gasoline is forecasted to be \$3.55 and the price of diesel is forecasted to be \$3.90. This forecast reflects the continued steady increase in fuel prices experienced by carriers over the last several years following a brief period of moderate fuel prices. For example, as recently as December 2008, the forecasted prices per gallon for regular unleaded and diesel for the period of January 1, 2009 through June 30, 2009 were \$2.03 and \$2.41, respectively.

The authorized surcharges are currently in the 8% range for most motor carriers. Fuel prices are reviewed every six months to determine if there is a need to continue to give relief to eligible motor carriers, they are not automatic. Eligible motor carriers may not charge the new surcharge until and unless they have filed application to do so with the Commission's Tariff Office.

Solid Waste Facilities/Landfills

The Commission Staff continues to improve and build a strong working relationship with the West Virginia Division of Environmental Protection (DEP) and the Solid Waste Management Board 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. Some of the significant cases before the Commission in 2011 included:

Tucker County Solid Waste Authority

On October 26, 2010, Tucker County Solid Waste Authority requested a Certificate of Convenience and Necessity to expand the disposal area of its solid waste landfill by an additional twenty acres, designated Cell 7, adjacent to its current Cells 5 and 6 (Case No. 10-1662-SWF-CN).

The landfill, which disposes of approximately 5,600 tons of municipal solid waste per month, stated that its capacity would be reached in approximately three and half years, and that the new cell is required for continued operation. The new cell will extend the life of the facility by approximately forty-seven years at current disposal levels.

The landfill accepts waste primarily from Grant, Hampshire, Hardy, Mineral, Pendleton, Preston, Randolph and Tucker Counties. The net cost of the project was anticipated to cost between \$942,943 and \$4,716,570. In order to construct the new cell, the Authority will be required to excavate 80 – 90 feet down and remove an old coal mine. The lower cost estimate of \$942,943 assumes that approximately 72,000 tons of saleable coal will be recovered during the course of cell construction which could be sold at a market price of around \$72 per ton. If little or no marketable coal is recovered, net cost will be at the higher end of the range. No increase in rates was requested to support project costs. By Final Order entered May 29, 2011, a certificate of need to construct Cell 7 was granted.

Allied Waste Services of North America, LLC

On February 18, 2011, Allied Waste Services of North America, LLC (Allied) requested a Certificate of Convenience and Necessity to construct a new solid waste transfer station to be located in Monongalia County (Case No. 11-0239-SWF-CN). Allied estimated the transfer station would accept an average of 9,000 tons of waste per month generated in Monongalia County and the other counties located in Wasteshed B, including Barbour, Braxton, Clay, Doddridge, Gilmer, Harrison, Lewis, Preston, Randolph, Taylor, Tucker, and Upshur.

The transfer station would be constructed within five miles of the then existing transfer station operated by Suburban Sanitation, Inc. This case had been consolidated with Case No. 10-1759-SWF-PC in which Suburban proposed to sell its transfer station to Allied which would then demolish the facility and replace it with Allied's proposed facility.

Allied agreed to adopt Suburban's approved rates for a period of at least eighteen months. By Final Order on July 31, 2011, the transfer of Suburban's certificate to operate a commercial solid waste facility to Allied, and Allied's request for a certificate of convenience and necessity for a new solid waste facility were approved.

Meadowfill Landfill, Inc.

On June 12, 2011, Meadowfill Landfill, Inc., located in Harrison County, requested a certificate of need to construct a disposal cell which would be dedicated to the deposit of drilling waste (Case No. 11-0856-SWF-CN). Construction of the new cell dedicated to the acceptance of "drilling mud" generated during the course of Marcellus shale gas drilling will reduce the need for temporary pits near drilling sites and facilitate the monitoring of drilling waste.

By Order entered September 23, 2011, the Commission approved Meadowfill's application for a certificate for the new cell. The Commission's Order permitted Meadowfill to negotiate the rates at which it would accept the drilling waste but required that those rates reflect full recovery of costs inclusive of taxes as well as closure and post closure funding costs. The Order further provided that Meadowfill not accept such volumes of drilling waste as to create excess tonnage to the point that disposal capacity available for its municipal solid waste customers would be jeopardized.

Flow Control Cases

In 2011, the Commission considered two requests to implement flow control, or direct the delivery of solid waste to certain disposal facilities. For decades, flow control has been generally prohibited by the United States Supreme Court. In the two following cases, the petitioners have asked the Commission to assess, among other things, whether flow control can be implemented based upon a 2007 decision by the United States Supreme Court, United Haulers Assoc., Inc. v. Oneida-Herkimer Solid Waste Mgmt Authority.

On October 27, 2011, Region Eight Solid Waste Authority requested increased rates for the two municipal solid waste transfer stations it operates (Case No. 10-1674-SWF-42A). The Northern Transfer Station located near Romney serves Hampshire and Mineral Counties, while the Southern Transfer Station located near Petersburg serves Grant, Hardy and Pendleton Counties. The Authority sought to increase the per ton disposal rates which

were \$79.35 and \$78.35 at the Northern and Southern Stations, respectively, by \$3.50 per ton.

On that same date, the Authority petitioned the Commission for an expedited flow control Order, directing that all waste generated within Region Eight and transported by motor carrier be delivered to the Region Eight transfer stations (Case No. 10-1675-SWF-PC). The Authority asserted that its transfer stations for municipal solid waste were financially dependent upon disposal charges, but some motor carriers were transporting municipal solid waste outside of Region Eight for disposal. In recent years, there have been dramatic declines in the quantities received at the transfer stations.

The Commission established a procedural schedule however, after pre-filed testimony was received, Region Eight reassessed its position. On July 6, 2011, the Commission granted Region Eight's motion to withdraw its petition requesting a flow control Order.

A review of the Authority's books and records indicated that the proposed rates would generate increased annual revenue in the amounts of \$36,939 at the Northern Station and \$43,960 at the Southern Station at the current tonnage levels. By Order entered July 28, 2011, the proposed rates were approved.

On February 24, 2011, Tucker County Solid Waste Authority requested a flow control Order from the Commission (Case No. 11-0253-SWF-P). The Tucker County Landfill receives the solid waste accumulated at Region Eight's two transfer stations, and at Tucker County's request, the Tucker County petition was held in abeyance until the Region Eight case was resolved.

In fall 2011, Tucker County requested that its case continue and a procedural schedule was established, with a hearing set for December 15-16, 2011. Initial pleadings in the Tucker County case reflect concern from other solid waste authorities, disposal facility operators and motor carriers. This case is currently pending before the Commission.

Wetzel County Solid Waste Authority

In 2008, the Wetzel County Solid Waste Authority (WCSWA) filed a petition seeking an investigation into the financial practices of Lackawanna Transport Company (LTC) and Solid Waste Services, Inc. (SWS) (Case No. 08-2129-SWF-GI). LTC owns and operates the Wetzel County Landfill. State and Federal law require that landfills fund closing and post-closing funds to be used to properly close and monitor landfills after closure to assure the environment is not harmed. Lackawanna's closing and post-closing fund was considerably under-funded.

The Commission opened a general investigation into the rates and practices of LTC and SWS, whether the existing rates charged by LTC were unreasonable, whether the contractual arrangement between LTC and SWS had resulted in the inadequate funding by LTC of closure and post-closure costs, whether an escrow account for closure and post-closure costs should be established and, if so, what deposit amount would adequately fund it.

On December 9, 2010, the Commission entered an Order requiring the Petitioner to file a memorandum of law which would establish the legal authority for the Commission to require an out-of-state entity that is not a West Virginia common carrier to disgorge funds if improperly obtained through its business transactions with an affiliated West Virginia landfill owner and operator.

On October 13, 2011, the Commission remanded the case back to the Administrative Law Judge. The Commission stated their concern about the unfunded closure and post-closure liabilities, required LTC to provide the current amount of the unfunded closure liability on the books of LTC, describe its plans to fund the unfunded closure liability, and provide a copy of the \$676,000 closure bond document.

LTC filed a motion to reconsider the October 13, 2011, Commission Order arguing that the Commission does not have the authority to retroactively fund its closure and post-closure escrow accounts. The motion for reconsideration is currently before the Commission.

Envirco, Inc.

On June 30, 2011, Envirco, Inc. filed a letter requesting an interpretation of Senate Bill 398 and its relation to Rule 6.2.p. of the Commission's Rules and Regulations for the Government of Motor Carriers and Private Commercial Carriers, 150 C.S.R. Series 9 (Case No. 11-0948-MC-P).

The relevant portion of Senate Bill 398, which amends W. Va. Code §22-15A-22, states:

(g) Effective July 1, 2010, covered electronic devices, as defined in section two of this article, may not be disposed of in a solid waste landfill in West Virginia.

Covered electronic devices are defined by W. Va. Code §22-15A-2(6) as:

[A] television, computer or video display device with a screen that is greater than four inches measured diagonally. "Covered electronic device" does not include a video display device that is

part of a motor vehicle or that is contained within a household appliance or commercial, industrial or medical equipment.

Rule 6.2.p. states:

6.2.p. Nothing in Rule 6.2. shall be construed to require a motor carrier of solid waste to collect or transport materials that the solid waste facilities used by that carrier can lawfully refuse to accept.

At the time Envirco filed its letter, it was collecting covered electronic devices and storing them at its lot. Envirco stated that while landfills accept covered electronic devices from private citizens, they do not accept covered electronic devices from solid waste haulers.

By Order entered November 9, 2011, the Commission Staff was directed to file a further memorandum by January 6, 2012, outlining the current practices of motor carriers and solid waste facility operators relating to the proper disposal of covered electronic devices; the efforts made to date to communicate and implement the Solid Waste Management Board's comprehensive plan of shared responsibility, any efforts to assess how the comprehensive plan is being implemented; and what areas, if any, seem to be difficult to implement or confusing among stakeholders.

This case is currently 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 eventually 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. 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. From January 1, 2011 through October 31, 2011, twenty-seven Tow cases were filed with the Commission.

Rule Making Proceedings

Following the opportunity for public comment and hearing, the Commission issued final rules addressing several matters, including electric net metering and interconnections, electric reliability and standards of service, railroad walkways, innovative alternative sewer systems and modifications to existing water and sewer regulations. In addition, the Commission will issue proposed rules in early 2012 that relate to storm water public service districts.

Rules and Regulations for the Government of Electric Utility Net Metering Arrangements and Interconnections

On September 29, 2010, the Commission initiated a general investigation proceeding in General Order No. 258.1 for the purpose of inviting comments on a proposed rulemaking to amend the Commission Rules Governing Electric Utility Net Metering Arrangements and Interconnections, 150 C.S.R., Series 33.

After considering the preliminary comments, the Commission issued an Order promulgating proposed legislative rules revising the Net Metering Rules on December 27, 2010.

On May 19, 2011, the Commission promulgated final rules amending its Net Metering Rules to make two minor revisions: correcting Form No. 2, Appendix F-Interconnection Agreement (Level 2) to include certain provisions that were omitted from the Agreement, based on the IREC Model Interconnection Procedures, 2009 Edition; and amending the definition of run of ‘river hydropower’ in Rule 2.15.d. to be consistent with the definition in the Commission’s Portfolio Standard Rules.

Rules and Regulations for the Government of Electric Reliability

In September 2010, the Commission issued an Order instituting General Order 259, in the matter of the adoption of Electric Reliability Rules. This rulemaking proceeding arose from the Commission’s General Investigation into power outages that occurred as a result of the winter storm on December 18 and 19, 2009 (Case No. 10-0019-E-GI). In its Order, the Commission directed the parties to form a working group and develop rules for the Commission’s consideration. Each electric utility operating in West Virginia and all of the parties to Case No. 10-0019-E-GI had the opportunity to participate in the Working Group. The Commission charged the Working Group with the task of developing consensus electric reliability rules to apply to all electric utilities operating in the State. Participants in the Working Group included Allegheny Power, American Electric Power, the Commission’s CAD, Commission Staff, and the Public Systems which are comprised of Harrison Rural

Electrification Association, Inc., the Cities of New Martinsville and Philippi, Craig-Botetourt Electric Cooperative and Shenandoah Valley Electric Cooperative.

The Commission reviewed the Working Group Report and consensus proposed rules, and promulgated the rules as recommended with a few amendments. The new Rules adopt benchmark performance standards, such as interruption indices, as has occurred in other states, and will better enable the Commission to assess electric utility reliability. The Rules also contain specific targets for electric reliability, reporting requirements and objective standards of service that can be measured.

On March 22, 2011, the Commission issued an Order in which it promulgated the Working Group's consensus proposed rules with a few amendments. The Commission provided a public comment period, which ended May 23, 2011. In an Order entered on July 28, 2011, the Commission addressed the public comments and promulgated the final electric reliability rules in its Rules and Regulations for the Government of Electric Utilities, 150 C.S.R. Series 3. The new reliability rules went into effect August 28, 2011.

Rules and Regulations for the Government of Railroad Safety and Sanitation

On March 31, 2011, the Commission issued an Order instituting General Order 189.4, amendments to 150 C.S.R. Series 8, in the matter of a proceeding to seek preliminary comments regarding a possible future rulemaking relating to walkways adjacent to railroad tracks. These amendments relate to requirements for certain railroad walkways and remove provisions that have been declared preempted by federal law.

On April 29, 2011, the Commission received comments on proposed new amendments to Railroad Rule 10, relating to minimum standards for the motor vehicles that are used to transport railroad workers. A hearing was held on this matter on July 18, 2011.

This matter continues to be an open case before the Commission.

Rules and Regulations for the Government of Innovative, Alternative Sewer Systems

On February 9, 2011, the Commission issued an Order instituting General Order 186.26, new Rules Governing Innovative, Alternative Sewer Systems, 150 C.S.R. Series 35, a proceeding to consider adding proposed rules relating to the provision of innovative sewage treatment services.

A Work Group consisting of representatives of utilities across the State and various State agencies had been working since 2007 to develop proposed Rules for the Commission's consideration. On April 20, 2010, the Work Group submitted a copy of its

proposed rules to Commission Staff. In a cover memo, the Work Group advised that innovative or alternative systems operate across the country, providing sewer service to areas that cannot be economically served by traditional sewer systems. The proposed rules were drafted to address the financial and operational issues presented by such systems. Because alternative systems may be used in the poorest areas in West Virginia, sustainability was an important concern for the Work Group. Members of the Work Group encouraged the use, where economically viable, of these systems in West Virginia.

On November 22, 2011, the Commission issued an Order promulgating Final Rules Governing Innovative, Alternative Sewer Systems.

Rules and Regulations for the Government of Storm Water Utilities

On July 23, 2010, Commission Staff petitioned the Commission to initiate a general investigation for the purpose of adopting Rules for Storm Water utilities (Case No. 10-1141-S-PC). Staff proposed the creation of rules based on legislative amendments to W.Va. Code 16-13A-9 creating storm water utilities. Staff, along with representatives of public and private utilities and employees of the West Virginia Division of Environmental Protection, West Virginia Bureau of Public Health and West Virginia Department of Transportation, drafted proposed rules for the consideration of the Commission.

The Commission is currently reviewing and modifying the proposed rules and plans to issue proposed rules for public comment in the near future.

Rules and Regulations for the Government of Sewer and Water Utilities

On March 9, 2011, the Commission promulgated final rule amendments to its Rules for the Government of Sewer Utilities, 150 CSR 5, (General Order 186.22) and Rules for the Government of Water Utilities, 150 CSR 7 (General Order 188.28). The amendments were necessitated by several statutory changes including changes to security deposits (W.Va. Code 16-13A-9(a)(2), 8-19-12a, 16-13-16, and 8-20-10); the elimination of the requirement for certificates of convenience and necessity for certain water and sewer projects related to community infrastructure agreements (W.Va. Code 22-28-1); changes relating to the need for a hearing in proposed modifications to public service districts (W.Va. Code 16-13A-2); the addition of storm water utilities as entities that may have water terminated for non-payment of services (W.Va. Code 16-13-6 and 16-13A-9); and clarification that utilities are not required to accept payments at the customer's premises in lieu of disconnecting service for a delinquent bill (W.Va. Code 16-13-16, 16-13A-9, 8-19-12A, 8-20-10, and 24-3-10). Additionally, the Commission made several editorial changes clarifying the existing rules.

The rule amendments became final on May 8, 2011.

State and Federal Courts

State Circuit Court

1. *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 (South Charleston) through an Order entered April 18, 2007. South Charleston completed many necessary repairs and upgrades and began billing and collecting sewer fees from the Cliffside customers, providing the system with needed revenues.

In May 2010, November 2010, and November 2011, both the Commission and South Charleston appeared before the Court for status conferences and reported that South Charleston continues to operate and maintain the system satisfactorily, and is working toward acquiring the Cliffside system. The Commission has received no formal complaints from the former Cliffside customers since South Charleston assumed receivership.

At the November 2011 status conference, the Staff Attorney informed Judge Stucky that South Charleston filed a Petition for Consent and Approval before the Commission seeking to formally acquire ownership of the Cliffside abandoned utility assets under W. Va. Code § 24-2-12 (Case No. 11-1695-S-PC). The parties also informed Judge Stucky that the parties hope to present to the Court an Order approving transfer of the abandoned utility assets by the next Status Conference currently scheduled for May 22, 2012. This proposed Order will allow the Court to formally approve the transfer of ownership of the abandoned Cliffside utility assets to South Charleston and dismiss the receivership proceeding pending before the Court.

2. *Snyder Environmental Services, Inc. v. Public Service Commission*; Kanawha County Circuit Court; Civil Action No. 11-MISC-272.

On June 9, 2011, Snyder Environmental Services (SES) filed a petition for writ of prohibition and injunction, in the Circuit Court of Kanawha County, to prevent the Commission from obtaining information concerning its business arrangements with its affiliate, Jefferson Utilities, Inc., a regulated public utility that provides water service to approximately 2,200 customers in Jefferson County.

Although the Court initially restrained the Commission from proceeding, after a hearing and the submission of briefs, Judge Bloom issued an Order agreeing with the

Commission that it had jurisdiction over SES, whether a public utility or not, to obtain information and to determine whether SES was operating as a public utility. The Court Order entered July 25, 2011, denied the relief requested by SES. The Commission administrative proceeding is going forward and should be resolved within the next few months (Case No. 11-0235-W-GI-SC).

Supreme Court of Appeals of West Virginia

1. *Berkeley County PSSD, Berkeley County PSD, Public Service Commission v. Larry V. Faircloth Realty, Inc.*, Case Nos. 35651 and 35652

Capacity Impact Fees were authorized by the Commission as utility charges. The fees represent the future cost of water and sewer capacity upgrades as a result of unusual population growth in Berkeley County, and are charged to new homes in subdivisions.

A developer filed suit in Circuit Court against the water and sewer utility alleging that the fee was unlawful. The Circuit Court of Berkeley County ruled that the fees were not properly established under the Local Powers Act. Further, the Court determined that the fee was a tax and that the Commission lacked jurisdiction to establish the charge. The water and sewer utilities filed this appeal which the Commission joined as an intervenor.

Following the submission of briefs and oral arguments, the Supreme Court issued a Memorandum Decision agreeing with the Districts and the Commission. The Court ruled that the Circuit Court lacked jurisdiction to entertain a declaratory judgment action because Faircloth had failed to exhaust administrative remedies in the pending administrative case (Case No. 09-0961-PSWD-GI). The Circuit Court Order was reversed.

2. *Jefferson Utilities, Inc. v. Public Service Commission of West Virginia; Homeowners Associations of Breckenridge, Deerfield, Gap View, Meadowbrook, Sheridan Estates, and Briar Run; Citizens for Fair Water, Inc; and Kay Moore, Scott Tatina and Regina Fite, Individual*, Commission Case Nos. 10-0974-W-PC and 10-1329-W-42T, Supreme Court Docket No. 11-0505.

This case was brought on appeal before the Supreme Court from the Commission's Order granting a rate increase of 4.4 percent to the petitioner, Jefferson Utilities, Inc. (JUI) a privately-held public utility authorized to provide water service to several areas of Jefferson County, West Virginia. In its original rate filing, JUI sought an increase of 72.2 percent. For average residential JUI customers using 4,500 gallons of water per month, their water bill would have increased from \$56.34 to \$88.34 per month, including a previously authorized surcharge of \$12.00. JUI also sought approval of an operation agreement, and various lease

agreements whereby JUI would lease office space in a building owned by the Snyders, the owners of JUI and an affiliate Snyder Environmental Services, Inc (SES). JUI would then share and allocate the costs of certain office space and expenses with its affiliate SES.

On February 18, 2011, the Commission entered the Final Order which denied approval of the operation agreement between JUI and SES, denied approval of the Lease agreements, and initiated a general investigation of JUI's utility operations including the proposed agreements. The Order also adopted the Commission Staff's recommendation with regard to the rate increase thereby reducing the rate increase recommended by the Administrative Law Judge to 4.4 percent, a revenue increase of \$66,324.00.

On March 21, 2011, JUI filed its appeal with the Supreme Court challenging the Commission's decision with regard to the rate increase, as well as the Commission's refusal to approve the operation and lease agreements. On May 10, 2011, JUI filed its reply brief with the Supreme Court in which it advised that it had received notice that SES was terminating its operation agreements with JUI effective September 30, 2011. JUI withdrew all issues of appeal except the issue of its rate increase from the Supreme Court.

By Supreme Court Order entered June 22, 2011, the Court held that upon careful review of the record submitted to it and upon consideration of the applicable law, no clear error was found. In fact the Court held the Commission's decision was not arbitrary or the result of a misapplication of legal principles. Rather the Commission's Order was supported by substantial evidence in the record.

3. *State of West Virginia, ex rel, Larry V. Faircloth and Larry V. Faircloth Realty, Inc. v. Public Service Commission*; Supreme Court of Appeals; Case No. 11-1460

On October 25, 2011, the petitioners, Larry V. Faircloth and Larry V. Faircloth Realty, Inc. filed a petition for writ of mandamus requesting that the Supreme Court direct a Commission decision in the pending administrative proceeding involving capacity impact fees and to issue injunctive relief preventing the imposition of a fee. The Commission submitted its argument which pointed out, among other things, that the Commission issued a procedural Order on September 30, 2011 that scheduled the administrative case for hearing on December 9, 2011.

By Order issued November 9, 2011, the Court agreed with the Commission position and refused to issue the relief sought in the petition.

The Commission hearing is complete and the matter has been submitted for briefing and decision.

Budget and Human Resources

The Public Service Commission has been actively pursuing and implementing savings initiatives over the past five years. Since 2006 the Commission has documented over 40 individual savings initiatives and projects which have annual savings approaching \$1,000,000. The savings for most of these initiatives occur year after year so cumulative savings far exceed the annual total.

In 2011, the Commission implemented \$33,000 of annual savings. The Commission was able to reduce lease costs by \$24,000 a year by utilizing a competitive bidding process for copier machines. In addition, workers compensation insurance cost was reduced by over \$7,000 a year as a result of the Commission’s excellent safety program and record. The Commission has a 0.70 experience modification factor, among the best in State government according to our provider, BrickStreet. Finally, the Commission’s other insurance costs dropped for the second year in a row saving another \$2,000 a year.

As a result of the Commission’s aggressive savings initiatives, the Commission has been able to keep its overall spending flat for its appropriated special revenue funds over the past five fiscal years. See the chart below.

Public Service Commission
Appropriated Special Revenue Funds – Spending
 Millions of Dollars



- 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 including a new roof, web cast capability replacing broken pavements and case-related engineering consultant contracts the past several years without asking for supplemental budget appropriation approval. In 2011, the Commission paid for a new energy efficient chiller for the Commission’s Main Building’s heating and cooling system (installed late,

2010). The Commission was also able to hire a consultant without an increase in budget to assist staff implement a credit trading program required by the Alternative and Renewable Energy Portfolio Act.

Commission employees continued to support two major state-wide initiatives, the ERP (enterprise resource planning) and the PLANS projects. The ERP project will replace many of the State's antiquated administrative systems with a single integrated system. Administration Division employees supported this project through focus group follow-up and other input. The PLANS project will modernize the State's classification and compensation plans. Commission and Administration Division employees supported this project principally by preparing, reviewing and approving the many JCQ's (job content questionnaires) prepared by employees through early 2011.

The Commission's IT (information technology) section continued to help eliminate paper by converting paper documents to electronic documents by scanning. Converting documents from paper to electronic form makes the information more assessable, reduces storage costs, and in many cases, the information has been made available on the Commission intranet or internet web sites.

The most significant IT project completed in 2011 was an "Electronic Comments" project required by legislation (HB 2663). This project was implemented to allow the general public to submit comments for formal cases on-line using a system accessible through the Commission's Internet website. General comments and suggestions not related to a particular case can also be submitted electronically through this same system. Another project completed in 2011 was a new "Informal Complaints Tracking" system for the Water-Waste Water Division. This project was implemented to increase functionality and simplify agency reporting.

Case Processing

Informal Cases

The Commission Utilities and Water and Wastewater Divisions receive thousands of Informal Cases, or Requests for Assistance (RFA) each year.

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

The Consumer Affairs Technicians assist customers in negotiating payment plans, clearing up communications 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 thirty 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, also lessening the need to file formal complaints.

Type of Utility	Number of RFAs Filed in 2011	Percentage of RFAs that closed within thirty days	Number that became Formal Complaint Cases	Percentage of RFAs that did <u>not</u> become Formal Complaints Cases
Electric	4550	93%	116	97%
Gas	1250	95%	16	99%
Telephone	2595	88%	16	99%
Water	3703	99%	77	98%
Wastewater	1216	99%	22	98%
Cable	366	85%	3	99%
Totals	13,680	94%	250	98%

Formal Cases

The Commission handles over 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.

Utility Cases	2007	2008	2009	2010	2011
Pending at beginning	540	490	440	434	429
Opened during year	2176	1930	1901	1806	1685
Closed during year	2226	1980	1907	1811	1673
Pending	490	440	434	429	441

Motor Carrier Cases	2007	2008	2009	2010	2011
Pending at beginning	115	154	129	155	119
Opened during year	367	319	337	225	217
Closed during year	328	344	311	261	234
Pending	154	129	155	119	102

Coal Cases	2007	2008	2009	2010	2011
Pending at beginning	54	69	142	154	76
Opened during year	359	686	547	304	389
Closed during year	344	613	535	382	388
Pending	69	142	154	76	77

Hearings

Commission at PSC Building.....	31
Commission out of town.....	9
Administrative Law Judge at PSC Building.....	59
Administrative Law Judge out of town.....	71

Orders

In 2011, the Commission issued 4,994 Orders.

General Orders

G.O. 184.27

January 21, 2011 In the matter of interest to be paid on customer deposits by electric utilities.

G.O. 185.32

January 21, 2011 In the matter of interest to be paid on customer deposits by gas utilities.

G.O. 186.25

January 21, 2011 In the matter of interest to be paid on customer deposits by sewer utilities.

G.O. 186.26

February 9, 2011 (Pending)
In the matter of proposed Rules Governing Innovative, Alternative Sewer Systems, 10 C.S.R. Series 35

G.O. 187.39

January 21, 2011 In the matter of interest to be paid on customer deposits by telephone utilities.

G.O. 187.40

October 27, 2011 (Pending)
In the matter of inviting applications for a Certificate of Convenience and necessity to provide Telecommunications Relay Service in West Virginia

G.O. 188.31

January 21, 2011 In the matter of interest to be paid on customer deposits by water utilities.

G.O. 189.4

March 31, 2011 (Pending)
In the matter of proposed revisions to the Rules and Regulations for the Government of Railroad Safety and Sanitation, 150 C.S.R. Series 8

G.O. 195.61

Sept. 19, 2011 Appointing and establishing the salary of the Director of the Consumer Advocate Division

MC G.O. 64.3

July 28, 2011 (Pending)
In the matter of revised Rules Governing Motor Carriers, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers, 150 CSR 9

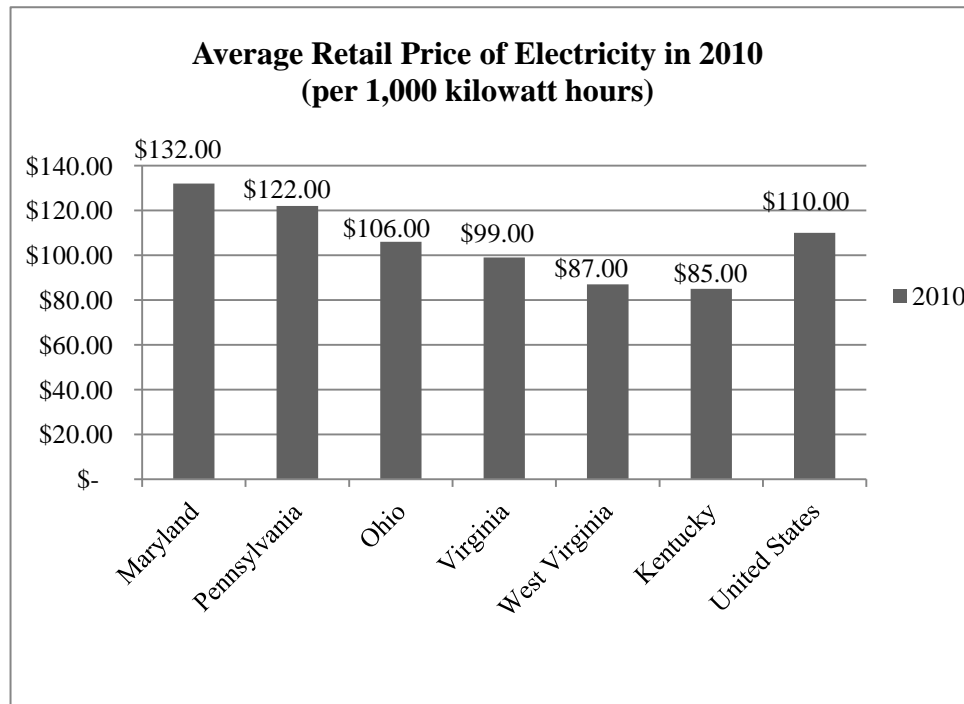
Appendix A

Utility Rate Comparisons

2010 Electric Price Comparison: West Virginia vs. Surrounding States

In 2010, the average retail residential price of electricity was lower in West Virginia than most surrounding states including Maryland, Pennsylvania, Ohio, and Virginia.

On average, the monthly retail price of electricity in the United States is \$23.00 per month higher than rates in West Virginia.



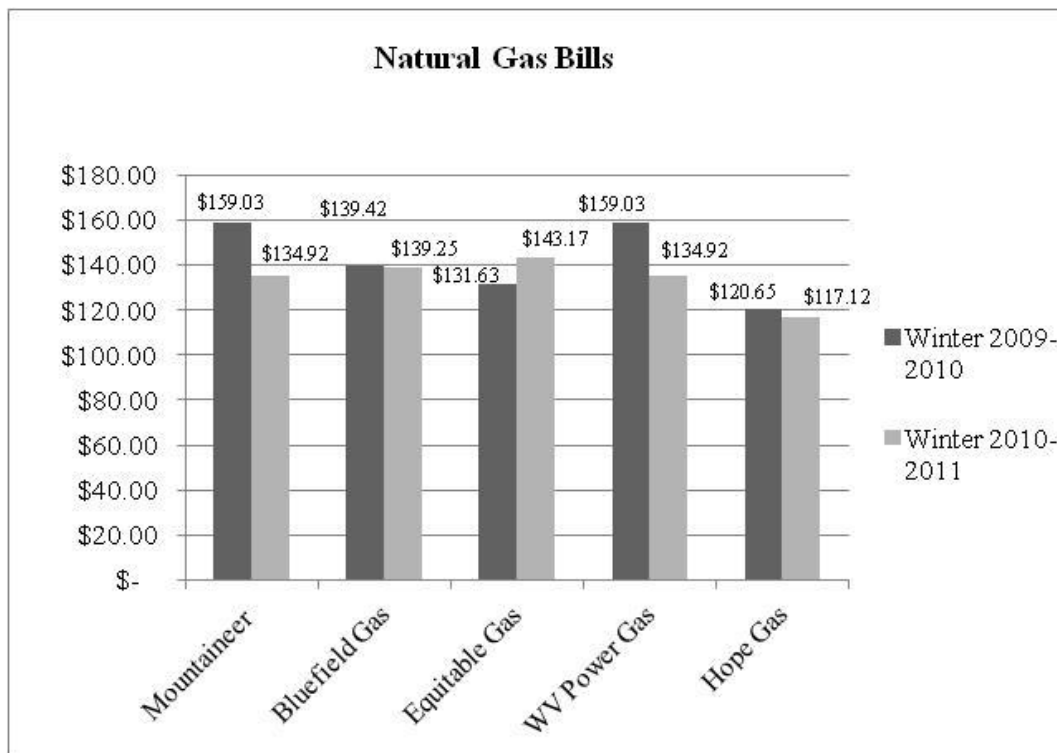
Source: U.S. Energy Information Administration <http://www.eia.gov/>

Natural Gas Bills: Winter 2009-2010 vs. Winter 2010-2011

The average cost of natural gas bills across West Virginia decreased an average \$8.00 per month from the winter of 2009-2010 to the winter of 2010-2011.

Four out of five natural gas residential customers in West Virginia saw a decrease in rates from the winter of 2009-2010 to the winter of 2010-2011.

As of January 2011, a West Virginia residential customer using 13 Mcf of natural gas per month saw a 33.6% decrease in their natural gas bill since 2008.



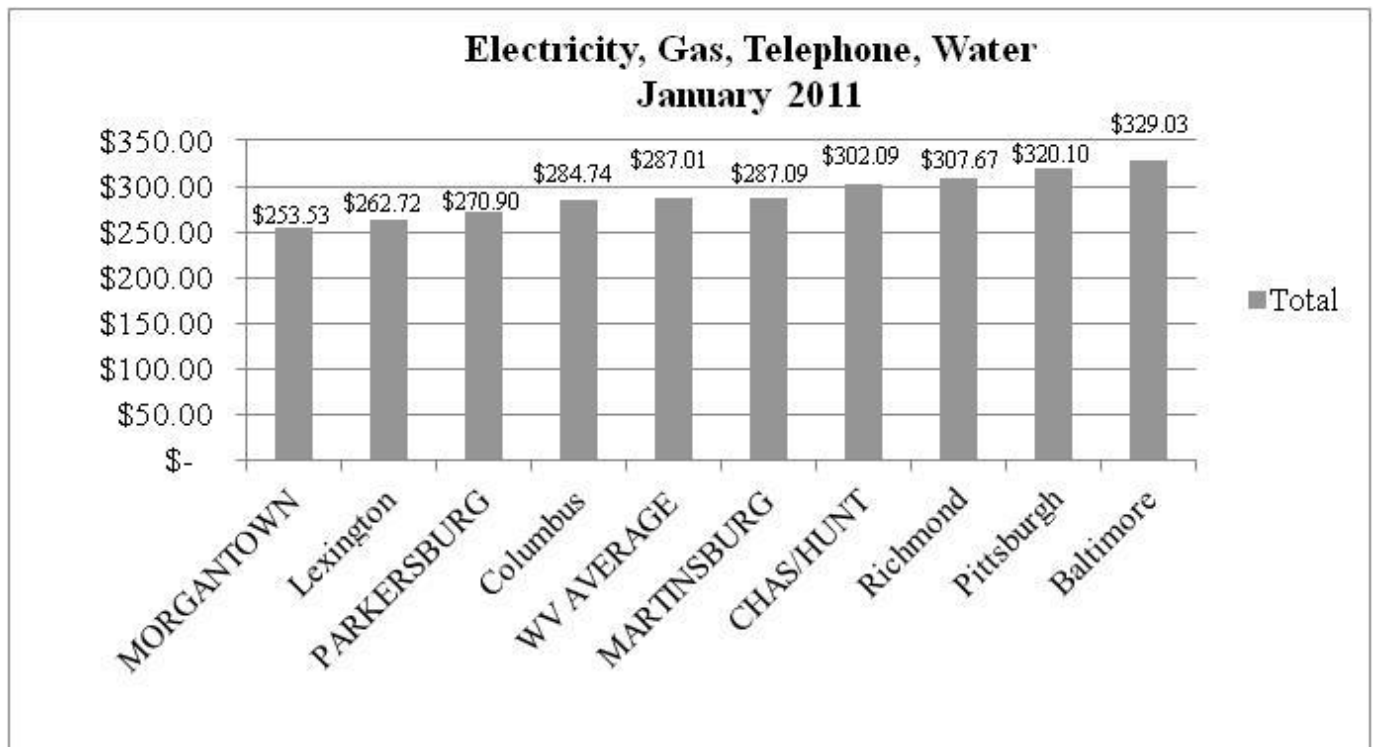
*Equitable Gas is the only company that experienced an increase during this period. In August 2010, the PSC approved the Company’s first base rate request since 1989, increasing the customer charge on all bills by \$2 per month.

Source: Consumer Advocate Division, Public Service Commission of West Virginia <http://www.cad.state.wv.us/>

Total Utility Rates: West Virginia and Surrounding Areas

In January 2011, the statewide monthly average of the utilities studied: electricity, gas, telephone and water combined equaled \$287.01. That represents a 2.5% decrease from one year before when West Virginia ratepayers paid an average of \$294.51 for the same combined utilities. That average falls below the average for surrounding areas and larger cities including Richmond, Pittsburgh and Baltimore.

The difference in the average monthly utility bill for West Virginians and the average monthly bills in Baltimore, Maryland equaled more than \$40.00.



Source: Consumer Advocate Division, Public Service Commission of West Virginia <http://www.cad.state.wv.us/>

Appendix B

Summary of the Utility Discount Program

December 2011

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 and electric utility rates. The special reduced rate is 20 percent less than the rate applicable to other residential customers obtaining similar service.

Eligible residents must be receiving either:

- (a) Social Security Supplemental Security Income (SSI);
- (b) Aid to Families with Dependent Children (AFDC)*;
- (c) Aid to Families with Dependent Children-Unemployed (AFDC)*; or,
- (d) Food Stamps, if the recipient is age 60 or older.

Following is a report on the 20 percent discount program for the billing months of December 2010 through April 2011. This report contains a summary by type of utility (natural gas or electric), including the percentage changes from last year, and individual utility information on subsequent pages.

For the individual utility information, line 13 represents an adjustment to the revenue decrease reported by the utilities (line 12) for business and occupation (B&O) taxes, if appropriate. Since the State Tax Commissioner has determined that the utilities' tax credits would not be subject to taxation, it was necessary to make adjustments for taxes embedded in rates, but which would not be levied. Electric companies are no longer subject to a B&O tax levied on a revenue basis. Thus, only data for natural gas companies shows a tax adjustment for B&O taxes.

The dollar amounts shown on line 14 are less than the actual discounts given to customers, because of the B&O tax adjustment made for all natural gas utilities. Line 10 of the report shows the total bills that qualified customers would have been required to pay in the absence of the discount program. Line 11 represents the discounted bills and line 12 is the actual discount given to customers.

During the 2010-2011 program year, 36,768 electric customers received \$4.45 million in discounts, an average of \$121.00 per customer. The number of electric customers receiving the discount is more than last year. In addition, the average discount per customer is more than the reported for the 2009-2010 program year when 34,115 electric customers received \$111.91 per customer.

Also during the 2010-2011 program year, 13,156 natural gas customers received \$1.34 million in discounts, an average of \$102.01 per customer. The total number of natural gas customers receiving the discount is more than the 2009-2010 program year when 12,794 customers received an average of \$103.01 in discounts per customer.

*AFDC and AFDCU now fall under the state "West Virginia Public Works" program

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

**SUMMARY DATA
ELECTRIC UTILITIES**

	<u>2010-2011</u>	<u>2009-2010</u>	<u>Percentage Change from Previous Year</u>
1. Total Applications Received	41,266	38,043	7.81%
2. Total Applications Rejected	4,498	3,928	12.67%
3. Percent Rejected	10.90%	10.33%	
4. No. of Customers Given Discount	36,768	34,115	7.22%
5. No. of Residential Customers	853,915	854,204	-0.03%
6. Percent Given Discount	4.31%	3.99%	
7. SSI Customers	24,474	23,595	3.59%
8. WV Works Customers	3,950	3,285	16.84%
9. Food Stamps +60 Customers	8,344	7,235	13.29%
10. Total Bills at Non-Discounted Rates	\$22,244,175.15	\$19,088,513.00	14.19%
11. Total Bills at Discounted Rates	\$17,795,340.12	\$15,270,811.00	14.19%
12. Revenue Decrease	\$4,448,835.03	\$3,817,702.00	14.19%
13. Adjustment For B&O Tax Reduction	\$0.00	\$0.00	
14. Revenue Deficiency Certified	\$4,448,835.03	\$3,817,702.00	14.19%

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

		SUMMARY DATA GAS UTILITIES		
		<u>2010-2011</u>	<u>2009-2010</u>	<u>Percentage Change from Previous Year</u>
1.	Total Applications Received	13,236	12,803	3.27%
2.	Total Applications Rejected	80	59	26.25%
3.	Percent Rejected	0.60%	0.46%	
4.	No. of Customers Given Discount	13,156	12,794	2.75%
5.	No. of Residential Customers	339,695	343,748	-1.19%
6.	Percent Given Discount	3.87%	3.72%	
7.	SSI Customers	8,508	8,733	-2.64%
8.	WV Works Customers	1,335	1,176	11.91%
9.	Food Stamps +60 Customers	3,313	2,885	12.92%
10.	Total Bills at Non-Discounted Rates	\$7,015,427.48	\$6,885,074.00	1.86%
11.	Total Bills at Discounted Rates	<u>\$5,613,292.63</u>	<u>\$5,508,060.00</u>	<u>1.87%</u>
12.	Revenue Decrease	\$1,402,134.85	\$1,377,014.00	1.79%
13.	Adjustment For B&O Tax Reduction	<u>\$60,151.59</u>	<u>\$59,066.00</u>	<u>1.80%</u>
14.	Revenue Deficiency Certified	<u><u>\$1,341,983.26</u></u>	<u><u>\$1,317,948.00</u></u>	<u><u>1.79%</u></u>

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

		SUMMARY DATA ALL UTILITIES		
		<u>2010-2011</u>	<u>2009-2010</u>	<u>Percentage Change from Previous Year</u>
1.	Total Applications Received	54,502 *	50,846 *	6.71%
2.	Total Applications Rejected	4,578 *	3,987 *	12.91%
3.	Percent Rejected	8.40%	7.84%	
4.	No. of Customers Given Discount	49,924 *	46,909 *	6.04%
5.	No. of Residential Customers	1,193,610 *	1,197,952 *	-0.36%
6.	Percent Given Discount	4.18%	3.92%	
7.	SSI Customers	32,982 *	32,328 *	1.98%
8.	WV Works Customers	5,285 *	4,461 *	15.59%
9.	Food Stamps +60 Customers	11,657 *	10,120 *	13.19%
10.	Total Bills at Non-Discounted Rates	\$29,259,602.63	\$25,973,587.00	11.23%
11.	Total Bills at Discounted Rates	<u>\$23,408,632.75</u>	<u>\$20,778,871.00</u>	11.23%
12.	Revenue Decrease	\$5,850,969.88	\$5,194,716.00	11.22%
13.	Adjustment For B&O Tax Reduction	<u>\$60,151.59</u>	<u>\$59,066.00</u>	
14.	Revenue Deficiency Certified	<u><u>\$5,790,818.29</u></u>	<u><u>\$5,135,650.00</u></u>	<u>11.31%</u>

* This number represents customers and not individual households. A household may be an electric and natural gas customer.

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

ELECTRIC UTILITIES

	APPALACHIAN POWER COMPANY	BLACK DIAMOND * POWER COMPANY
1. Total Applications Received	20,944	252
2. Total Applications Rejected	2,247	3
3. Percent Rejected	10.73%	1.19%
4. No. of Customers Given Discount	18,697	249
5. No. of Residential Customers	371,429	1,958
6. Percent Given Discount	5.03%	12.72%
7. SSI Customers	12,894	181
8. WV Works Customers	2,141	28
9. Food Stamps +60 Customers	3,662	40
10. Total Bills at Non-Discounted Rates	\$12,713,049.00	\$156,488.40
11. Total Bills at Discounted Rates	<u>\$10,170,439.20</u>	<u>\$125,190.72</u>
12. Revenue Decrease	\$2,542,609.80	\$31,297.68
13. Adjustment For B&O Tax Reduction	<u>\$0.00</u>	<u>\$0.00</u>
14. Revenue Deficiency Certified	<u>\$2,542,609.80</u>	<u>\$31,297.68</u>

* Elk Power Co. and Union Power Co. were merged with Black Diamond Power Company in Case No. 08-2030-E-PC.

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

ELECTRIC UTILITIES

	<u>MONONGAHELA POWER COMPANY</u>	<u>POTOMAC EDISON OF WVA</u>
1. Total Applications Received	15,282	3,589
2. Total Applications Rejected	1,707	444
3. Percent Rejected	11.17%	12.37%
4. No. of Customers Given Discount	13,575	3,145
5. No. of Residential Customers	331,200	114,094
6. Percent Given Discount	4.10%	2.76%
7. SSI Customers	9,174	1,563
8. WV Works Customers	1,122	514
9. Food Stamps +60 Customers	3,279	1,068
10. Total Bills at Non-Discounted Rates	\$6,733,086.80	\$2,103,272.65
11. Total Bills at Discounted Rates	\$5,386,469.44	\$1,682,618.12
12. Revenue Decrease	\$1,346,617.36	\$420,654.53
13. Adjustment For B&O Tax Reduction	\$0.00	\$0.00
14. Revenue Deficiency Certified	<u>\$1,346,617.36</u>	<u>\$420,654.53</u>

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
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ELECTRIC UTILITIES

**WHEELING
POWER COMPANY**

1.	Total Applications Received	1,199
2.	Total Applications Rejected	97
3.	Percent Rejected	8.09%
4.	No. of Customers Given Discount	1,102
5.	No. of Residential Customers	35,234
6.	Percent Given Discount	3.13%
7.	SSI Customers	662
8.	WV Works Customers	145
9.	Food Stamps +60 Customers	295
10.	Total Bills at Non-Discounted Rates	\$538,278.30
11.	Total Bills at Discounted Rates	<u>\$430,622.64</u>
12.	Revenue Decrease	\$107,655.66
13.	Adjustment For B&O Tax Reduction	<u>\$0.00</u>
14.	Revenue Deficiency Certified	<u><u>\$107,655.66</u></u>

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

NATURAL GAS UTILITIES

	ASHFORD * GAS COMPANY	BLACKSVILLE OIL & GAS CO.
1. Total Applications Received	0	4
2. Total Applications Rejected	0	0
3. Percent Rejected	0.00%	0.00%
4. No. of Customers Given Discount	0	4
5. No. of Residential Customers	306	253
6. Percent Given Discount	0.00%	1.58%
7. SSI Customers	0	1
8. WV Works Customers	0	1
9. Food Stamps +60 Customers	0	2
10. Total Bills at Non-Discounted Rates	\$0.00	\$3,626.41
11. Total Bills at Discounted Rates	\$0.00	\$2,901.13
12. Revenue Decrease	\$0.00	\$725.28
13. Adjustment For B&O Tax Reduction	\$0.00	\$31.11
14. Revenue Deficiency Certified	\$0.00	\$694.17

* Did not file for revenue deficiency certification; Now part of Mountaineer Gas Company (11-0460-G-PC).

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
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NATURAL GAS UTILITIES

	BLUEFIELD ** GAS COMPANY	CONSUMERS GAS UTILITY CO.
1. Total Applications Received	0	507
2. Total Applications Rejected	0	5
3. Percent Rejected	0.00%	0.99%
4. No. of Customers Given Discount	0	502
5. No. of Residential Customers	2,927	7,589
6. Percent Given Discount	0.00%	6.61%
7. SSI Customers	0	352
8. WV Works Customers	0	45
9. Food Stamps +60 Customers	0	105
10. Total Bills at Non-Discounted Rates	\$0.00	\$261,650.63
11. Total Bills at Discounted Rates	\$0.00	\$209,997.95
12. Revenue Decrease	\$0.00	\$51,652.68
13. Adjustment For B&O Tax Reduction	\$0.00	\$2,215.90
14. Revenue Deficiency Certified	\$0.00	\$49,436.78

** Did not file for revenue deficiency certification

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

NATURAL GAS UTILITIES

	<u>EQUITABLE GAS COMPANY</u>	<u>HOPE *** GAS, INC.</u>
1. Total Applications Received	419	4,701
2. Total Applications Rejected	4	47
3. Percent Rejected	0.95%	1.00%
4. No. of Customers Given Discount	415	4,654
5. No. of Residential Customers	12,131	105,382
6. Percent Given Discount	3.42%	4.42%
7. SSI Customers	281	3,174
8. WV Works Customers	27	404
9. Food Stamps +60 Customers	107	1,076
10. Total Bills at Non-Discounted Rates	\$275,319.09	\$2,020,643.34
11. Total Bills at Discounted Rates	<u>\$220,255.27</u>	<u>\$1,616,788.12</u>
12. Revenue Decrease	\$55,063.82	\$403,855.22
13. Adjustment For B&O Tax Reduction	<u>\$2,362.24</u>	<u>\$17,325.39</u>
14. Revenue Deficiency Certified	<u><u>\$52,701.58</u></u>	<u><u>\$386,529.83</u></u>

*** Application was filed on 11/9/11 (11-1656-G-P); No Staff Recommendation and/or Commission Order has yet been filed.

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

NATURAL GAS UTILITIES

	LUMBERPORT- SHINSTGON GAS	MEGAN OIL & GAS
1. Total Applications Received	103	28
2. Total Applications Rejected	2	0
3. Percent Rejected	1.94%	0.00%
4. No. of Customers Given Discount	101	28
5. No. of Residential Customers	2,886	277
6. Percent Given Discount	3.50%	10.11%
7. SSI Customers	71	23
8. WV Works Customers	5	0
9. Food Stamps +60 Customers	25	5
10. Total Bills at Non-Discounted Rates	\$68,049.64	\$15,164.42
11. Total Bills at Discounted Rates	\$54,439.72	\$12,131.58
12. Revenue Decrease	\$13,609.92	\$3,032.84
13. Adjustment For B&O Tax Reduction	\$583.87	\$130.11
14. Revenue Deficiency Certified	\$13,026.05	\$2,902.73

**REPORT ON 20% DISCOUNT PROGRAM
FOR BILLING MONTHS OF -
DECEMBER 2010 THROUGH APRIL 2011**

NATURAL GAS UTILITIES

	MOUNTAINEER GAS COMPANY	SOUTHERN PUBLIC SERVICE CO.
1. Total Applications Received	7,109	270
2. Total Applications Rejected	19	0
3. Percent Rejected	0.27%	0.00%
4. No. of Customers Given Discount	7,090	270
5. No. of Residential Customers	196,670	5,715
6. Percent Given Discount	3.61%	4.72%
7. SSI Customers	4,365	178
8. WV Works Customers	813	32
9. Food Stamps +60 Customers	1,912	60
10. Total Bills at Non-Discounted Rates	\$4,179,834.45	\$148,306.05
11. Total Bills at Discounted Rates	\$3,343,867.56	\$118,644.84
12. Revenue Decrease	\$835,966.89	\$29,661.21
13. Adjustment For B&O Tax Reduction	\$35,862.98	\$1,272.47
14. Revenue Deficiency Certified	\$800,103.91	\$28,388.74

**REPORT ON 20% DISCOUNT PROGRAM
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NATURAL GAS UTILITIES

	STANDARD GAS COMPANY	UNION OIL AND GAS CO.
1. Total Applications Received	19	76
2. Total Applications Rejected	0	3
3. Percent Rejected	0.00%	3.95%
4. No. of Customers Given Discount	19	73
5. No. of Residential Customers	348	5,211
6. Percent Given Discount	5.46%	1.40%
7. SSI Customers	13	50
8. WV Works Customers	1	7
9. Food Stamps +60 Customers	5	16
10. Total Bills at Non-Discounted Rates	\$10,647.75	\$32,185.70
11. Total Bills at Discounted Rates	<u>\$8,517.90</u>	<u>\$25,748.56</u>
12. Revenue Decrease	\$2,129.85	\$6,437.14
13. Adjustment For B&O Tax Reduction	<u>\$91.37</u>	<u>\$276.15</u>
14. Revenue Deficiency Certified	<u><u>\$2,038.48</u></u>	<u><u>\$6,160.99</u></u>

Appendix C

Summary of the Tel-Assistance Service Telephone Rate Discount Program

December 2011

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. Tel-Assistance service is made available to consumers who are recipients of Medicaid, food stamps, supplemental security income, federal public housing assistance, low-income home energy assistance program benefits, Temporary Assistance to Needy Family benefits or other income-related state or federal programs.

The telephone utilities may recover their certified revenue deficiency as a credit against the West Virginia Telecommunications Tax. Frontier, West Virginia Inc. and Citizens Telecommunications Company of West Virginia doing business as Frontier Communications of West Virginia (Frontier) are the only companies which filed a Tel-Assistance report for certification of revenue deficiency for 2010 (Cases No. 11-0395-T-P and 11-0394-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 No. 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, Frontier adopted the tariff provisions then in place for Verizon. Accordingly, in Case No. 11-0395-T-P, the Commission certified \$66,384.89 as the revenue deficiency for Frontier associated with the Tel-Assistance Program for the 2010 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. 11-0394-T-P the Commission certified \$19,603.80 as the revenue deficiency for Frontier associated with the Tel-Assistance Program for the 2010 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. During calendar year 2010, an average of 3,857 customers received assistance.